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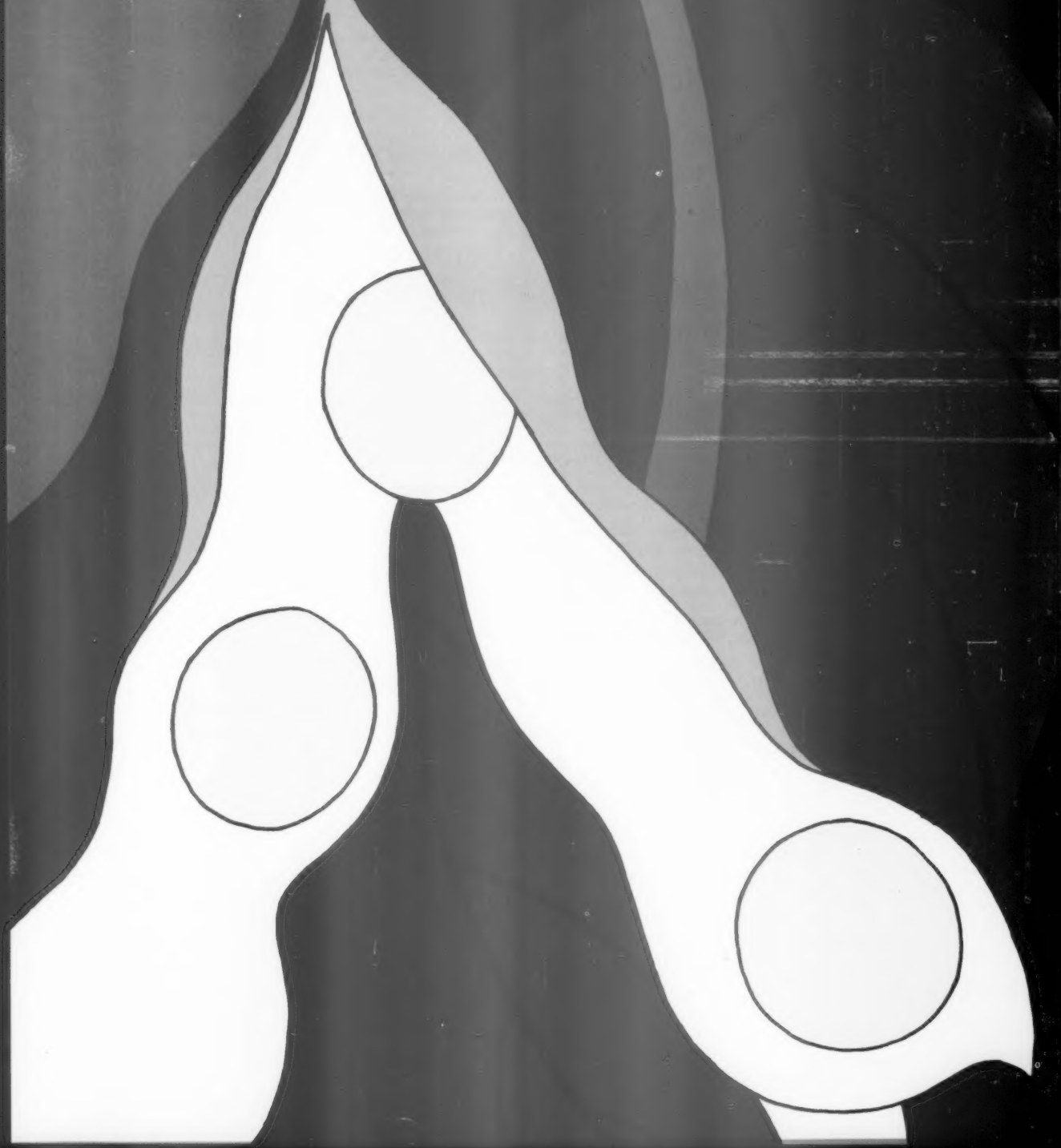
Prospects for World Soybean Trade



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Commodity Update

Tobacco

World Tobacco Production in 1981 is estimated at 5.5 million metric tons, an increase of about 2 percent over the 1980 total. Production of flue-cured and Oriental cigarette tobaccos will be virtually unchanged while burley is expected to be above 1980 levels.

U.S. production in 1981 is projected at 856,770 tons, an increase of 6 percent, with burley up 27 percent to 319,790 tons. The flue-cured crop is expected to drop slightly. The fire-cured crop may be 7 percent larger.

Cotton

World Cotton Production in 1981/82 is placed at 68.9 million bales (480 lb net), unchanged from the May estimate, but still 5 percent above the 1980/81 output. Preliminary estimates are for a U.S. production of 12.8 million bales and for foreign production to be at a record 55.1 million bales.

For 1980/81, cotton production has been revised downward slightly to 65.3 million bales, mainly because of a reduction for Argentina. Output estimates for the three largest producers remain unchanged: USSR, 14.3 million bales; China, 12.4 million bales; and the United States, 11.1 million bales. ***U.S. exports are up slightly to 6.1 million bales from May's 6.0 million,*** leaving a low 2.4 million bales expected to be on hand August 1.

Oilseeds

World Oilseed Output for 1980/81—163.2 million metric tons—remains essentially unchanged from the May estimate. Slight upward revisions for 1980/81 world peanut output have been offset by small declines for sunflowerseed and rapeseed.

U.S. oilseed production prospects for 1981/82 are unchanged from May forecasts. Above-average rainfall during May over large portions of principal growing areas—particularly in the Eastern Corn Belt and South Central States—have reduced the risk of another drought-reduced crop. Subsoil moisture levels still remain low in North Carolina and western Iowa.

Sugar

The International Sugar Council met in London during the week of May 18. Basic export tonnages totaling 17.8 million metric tons were set for 1981, which means effective export quotas totaling 15.15 million tons. ***World sugar prices strengthened somewhat in late May and early June after having reached a low of 14 cents per pound in early May.***

Nuts

Brazil's 1981 Production of Brazil Nuts is forecast at 30,000 tons, green weight equivalent, 25 percent below last year's reduced level and the smallest crop since 1967. Production, export volume, and prices all declined in 1980. ***Export volume should decline again in 1981, while export prices should begin to rise.***

Cashew nut production in major producing countries in 1980/81 is forecast at 435,700 tons, raw nut basis, and is the largest crop since 1975/76. Production in India and Tanzania will rebound, while Brazil's will continue its upward trend, rising 21 percent above the year before. ***Brazil is now the largest producer of cashews after India, replacing Mozambique, which fell to third place.***

Canned Fruits

Based on Available Pack Data from major producing countries, output of canned deciduous fruit in 1980 equaled or exceeded the large 1979 output of about 123.2 million cases. Large packs for 2 successive years, coupled with reduced demand caused by inflation and lower incomes in world markets, have resulted in large stocks. The situation is further aggravated by EC (European Community) processing subsidies and tariffs, which are encouraging high-cost production in member countries and discouraging lower-priced imports from third countries.

In the Southern Hemisphere, a record pack in South Africa more than offset slightly lower packs in Australia, Argentina, and Chile. Depending on the size of important canned apple/applesauce packs in the United States and Canada, canned deciduous output in the Northern Hemisphere could match or surpass the 1979 level of approximately 102 million cases.

The United States produced about three-fifths of all the canned deciduous fruits packed by the 11 principal producing countries in 1979. U.S. production accounted for about 80 percent of the canned apple/applesauce, 70 percent of the fruit mixtures, 58 percent of the canned pears, and 55 percent of the canned peaches. The U.S. share of canned deciduous fruit exports is much smaller than a year-earlier—roughly one-fourth of the fruit mixtures and one-sixth of the canned peaches. ***The leading exporters are South Africa and Greece for canned peaches, Italy for fruit mixtures, Australia for canned pears, Greece for canned apricots, and the United States and Italy for sour and sweet cherries.***

Dairy Products

Milk Production for 36 of the World's Major Dairy Countries is expected to be up about 1 percent in 1981. Projected gains for the European Community (EC), the United States, Brazil, and India may be largely offset by reduced output in Oceania, Poland, and the USSR. Last year, milk production totaled 405.7 million metric tons, up 1 percent from 1979 levels.

Butter production for 1981 is expected to change little from the 6,051,000 tons manufactured by the 36 countries last year, but consumption may decline about 1 percent. In terms of total production, the expansion in U.S. output will largely offset production cuts in the Soviet Union, Poland, and Australia, where less milk is likely to be available for manufacturing dairy products. For the EC, which accounts for one-third of world output, little change is anticipated from the 1979/80 production level. ***EC stocks are expected to decline further as exports to countries outside the Community exceed imports.*** Since 1978, EC stocks of butter have dropped significantly.

Grain

A Review of the 1981/82 World Grain Supply/Demand situation reveals less of a stock buildup than envisioned earlier. Downward revisions in June estimates of grain production, combined with a slight upward adjustment in utilization, suggest a world grain stock accumulation of 24 million metric tons over 1980/81 levels to 189 million tons, versus the 30-million-ton increase projected in May. The composition of world grain trade is forecast to change, with expected larger trade in wheat, but slightly reduced trade in coarse grains, compared to a month earlier. ***Increased wheat demand to meet domestic requirements is anticipated in some importing countries, while lower coarse grain trade reflects a continued optimistic outlook for production in importing countries.***

Present adjustments to world grain supply numbers underline the continued uncertainty associated with current production estimates as harvests for much of the Northern Hemisphere crops will not occur for 2-4 months. The June estimate for 1981/82 world grain production is 1.504 billion tons, 4 million tons below the May estimate as a result of a decline of over 4 million tons in wheat production. Coarse grain output is forecast to rise 500,000 tons above the May estimate. Since many world rice crops have just been planted, no modification in the world rice production forecast for 1981/82 was made since the last report.

Consultations Between the United States and the Soviet Union in London on June 8-9 terminated with an agreement between the two nations whereby the Soviet Union can purchase without further consultations up to 3 million tons of U.S. wheat and 3 million of U.S. corn for shipment prior to October 1. ***If the Soviets import those quantities, this will bring Soviet imports of U.S. wheat and corn to 14 million tons in the final year of the 5-year agreement,*** **which ends September 30.**

Secretary Block on The 1980's: A Common Opportunity

"We approach our customers and competitors with an invitation to negotiate for lower trade barriers wherever they exist. An open trading world is the future—and it can and will be achieved."

That statement by Agriculture Secretary John R. Block before the American Club in Brussels essentially was the message carried by Secretary Block to Government officials in six countries of the European Community during his May 23-June 4 trip to Western Europe and Yugoslavia—where he addressed the World Food Council in Novi Sad. Following are excerpts from the Brussels speech.

The European Community and the United States account for only 11 percent of the world's population—yet we account for about half of all world trade, including about half of all agricultural trade.

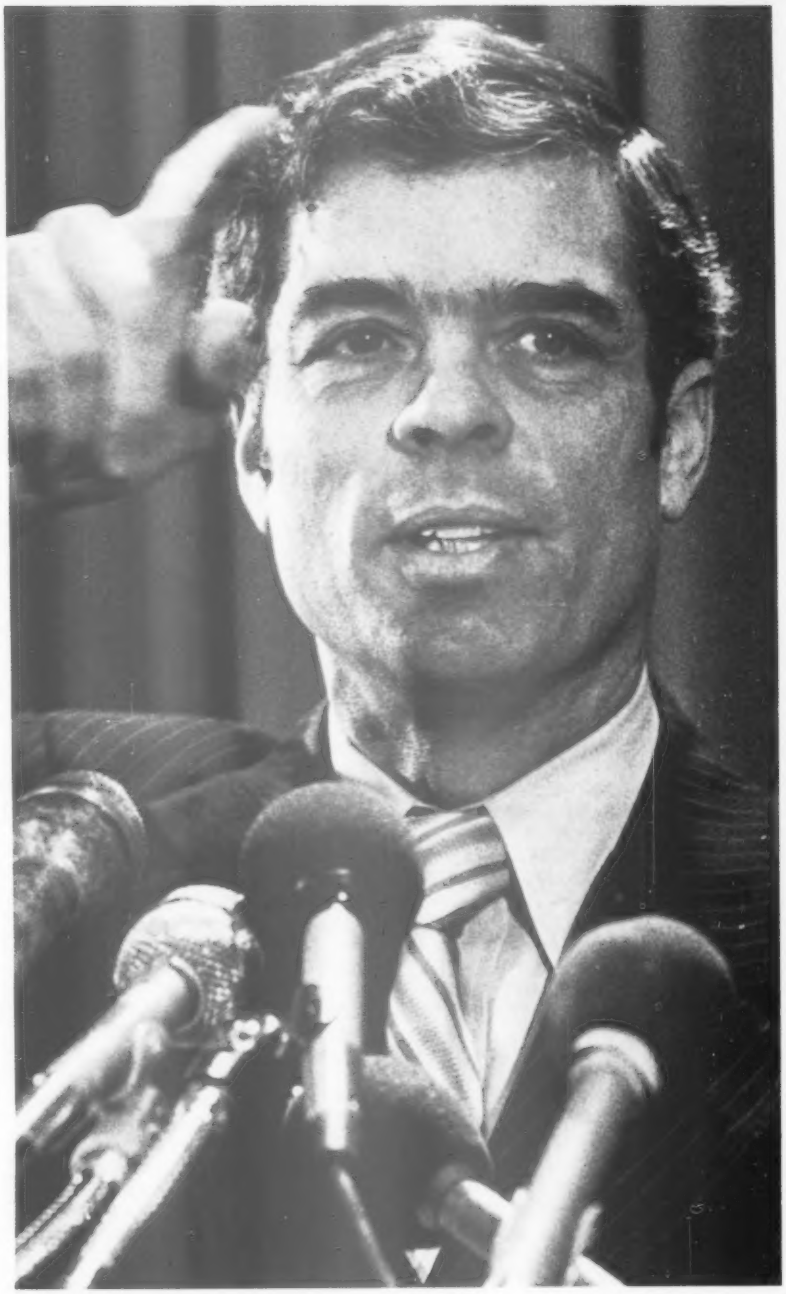
This puts a serious responsibility on our shoulders because what we do affects the stability of international trade, the world economy, hence the welfare of other billions of people. I prefer, however, to view this as a tremendous opportunity. It is an opportunity for the EC and the United States to join in fostering a world of expanding trade, where products move freely, and food becomes more available to all, at stable and relatively low prices.

The United States has a highly efficient agriculture that benefits from trade and needs to trade.

This did not just happen. American farmers became the largest exporters of commodities because they have had the freedom to produce and market, and they had the ability to get out and seek those new markets.

We have now reached a point where our farmers are capitalized to produce for the export market. They expect it.

The increasing importance of foreign markets cannot be overlooked. Ten



Agriculture Secretary John R. Block.

years ago, exports provided only 15 percent of U.S. farmers' market returns.

This year, the figure is 25 percent. And for crop farmers, exports account for almost half of cash returns. We export about 60 percent of U.S. wheat, rice, and soybeans. About half of our cotton and a third of our feedgrains and tobacco are exported.

Looking at it from the other side, our farmers provide 45 percent of the world's exports of wheat and 70 percent of the world's exports of feedgrains. We also supply from 60 to 70 percent of all soybeans in world commerce.

Dependability is the word on both sides. Our world customers benefit from U.S. supply availability on a dependable basis. U.S. farmers benefit from dependable markets where they have the opportunity to compete fully.

Our government is opposed to export embargoes for any but the most extreme foreign policy reasons. It is opposed in principle to any system of bilateral agreements that might have the effect of fragmenting the world market. It opposes multilateral commodity arrangements tending to allocate supplies and divide up the world market.

What I'm saying is that the U.S. views American agriculture as a part of a world system. Our farmers expect to compete on a fair and realistic basis—and to benefit wherever they have comparative advantage.

This is why the United States continues to work toward a more liberal trade system in which trade distortions would be at a minimum. And this is the philosophy underlying our discussions with European Community officials.

And I'm certain you know that the United States supported the establishment of the European Community, just as we support enlargement of the Community now. We recognize the right of any country to maintain the internal system it desires.

At the same time, however, we are becoming concerned about developments that might lead to greater instability in world trade and greater restrictionism in the European market. We are concerned about the Community's future relations with the United States, both as a market and as a competitor.

Some of our specific concerns are these:

- The Community is considering an export policy through which surpluses accumulated under the Common Agricultural Policy would be disposed of with export subsidies under long-term bilateral agreements. Large quantities of wheat are already being exported under subsidy to foreign customers, including such key U.S. markets as Latin America and China. This has the effect of transferring the cost of domestic programs to the world marketplace.

- The Community is considering a proposal to tax vegetable fats and oils. Since such a tax would affect the consumption of U.S. soybean oil, whether imported directly or produced from imported U.S. soybeans, it would be a violation of the zero duty concessions obtained during the Dillon Round of negotiations.

- The Community is considering action to unbind the zero duties on imports of some non-grain feed ingredients that are imported from the United States. These are products such as corn gluten feed and dried distillers grains, which have been moving into EC countries because of the Community's artificially high internal prices.

- A duty-free beef quota granted earlier to the United States had seemed to be under some question until Agriculture Commissioner Dalsager reassured me that the EC will honor its commitment so that the United States will receive the entire 10,000 metric ton quota negotiated as part of the multilateral trade negotiations completed in 1979.

We recognize that no major nation has a totally free trade system. All have some restrictions. But where the United States has been unable to keep its borders totally open, such as for cheese and beef, we have still maintained the largest import market.

We believe in two principles:

First, trading rules and commitments negotiated over the years provide a basis for fairness and true competition in administering trade policies. We must defend our rights when these are violated.

Secondly, these agreements should move toward greater freedom to trade and greater opportunity for efficient producers to serve the world needs.

President Reagan is moving the United States toward internal policies favoring individual incentives and enterprise—with a minimum of federal regulation. These policies are consistent with external policies favoring trade expansion on an open and competitive basis.

We approach our customers and competitors with an invitation to negotiate for lower trade barriers wherever they exist. An open trading world is the future—and it can and will be achieved. ■

Soybeans in the 1980's: Expanding Competition and Changing Trade Patterns

By Shackford Pitcher

Following a decade of rapid growth in world soybean trade—and emergence of some formidable U.S. competitors—the 1980's appear likely to see some shifting of soybean/soybean product markets and consolidation of past gains.

Soybeans and soybean meal—the star performers of the 1970's—will become increasingly important to markets such as the USSR, Eastern Europe, and the Middle East as they continue to expand and modernize their livestock industries. In the traditional markets of Western Europe and Japan, on the other hand, growth in demand could slow as optimum levels of soybean meal use are achieved.

The author is an agricultural economist with the Oilseeds and Products Division, Commodity Programs, FAS.

Soybean oil—where frequent surpluses provided the major problem area of the 1970's—still faces the pressure of increased supplies of alternative vegetable oils in a limited world market. However, exciting possibilities also exist, particularly since the use of vegetable oil as a fuel is emerging as a potential supplement to petroleum-based fuels.

World soybean output is concentrated in fewer than 10 countries, and the United States is still far the largest producer, with its share of the total averaging 64 percent during the past 5 years. This position has been eroded, however, by countries such as Brazil, with 16 percent of production in 1980, against only 3 percent in 1970, and export-oriented producers such as Argentina and Paraguay. The other major producers—China and the USSR—are both net importers of soybeans.

The United States also continues as the dominant supplier of soybeans to world markets, with its export volume increasing 82 percent between 1970 and 1980. Taking the edge off this lead position, however, has been the emergence of Brazil, first as a major soybean exporter and eventually as the No. 1 exporter of soybean meal. Later, Argentina rapidly expanded its output to become the second largest soybean exporter.

This contrasts sharply with the situation in 1970, when the United States accounted for virtually all world trade in soybeans, shipping 12 million tons, compared with a total of 500,000 tons for China and Brazil, the second and third largest importers at that time.

Shifts in Demand For Soybeans and Meal

In the traditional import markets for soybeans and meal, there is little likelihood that the expansion experienced

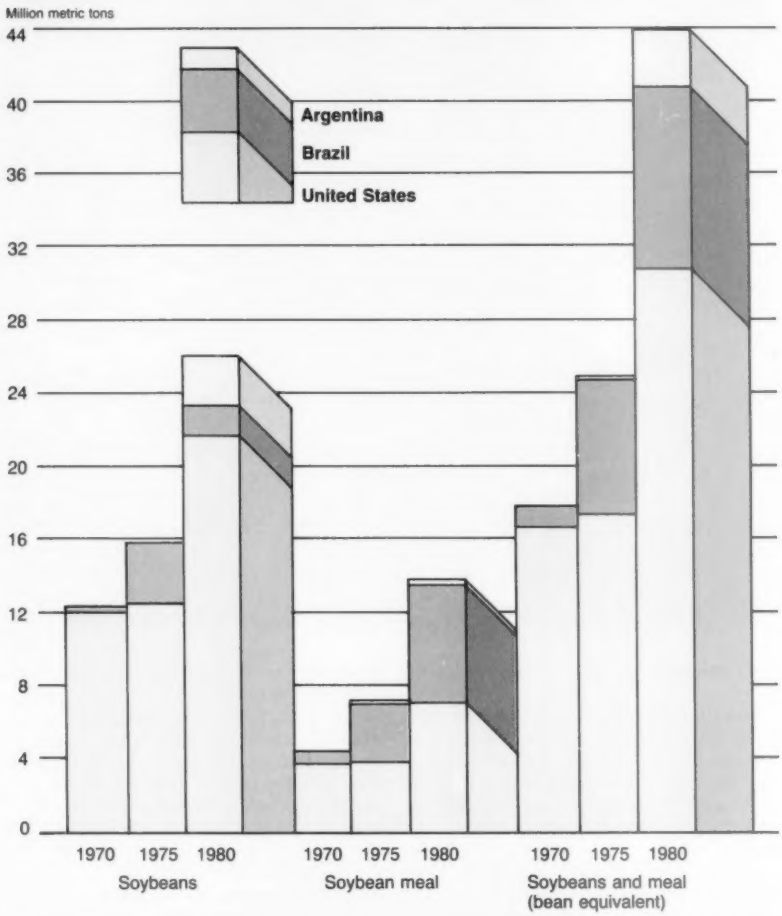
during the 1970's by the European Community (EC), Japan, and Spain will be duplicated in the 1980's. This prospective slowdown reflects the likely stabilization of the pork and poultry industries in these countries. And competition within this area will be intensified by the expanding export availability of soybean meal in producer/exporter countries such as Brazil, whose trade policies favor exports of products. Increased supplies of oilseeds, such as rapeseed and sunflowerseed, are also dampening the EC demand for soybeans

The tremendous expansion of the oilseed crushing industry in the EC during the 1970's was possible because of the large and assured supplies of U.S. soybeans and steadily increasing internal demand for soybean products, especially meal. Spain also met much of its soybean meal requirements through imports, initially of the meal and then of soybeans as the domestic market became large enough to support a competitive local crushing industry. This transition from imports of meal to soybeans is taking place in other parts of the world on a lesser scale and can be expected to continue in some important meal-importing countries.

Among the areas of recent growth in demand are Eastern Europe and the USSR. However, it is unclear if market growth in this part of the world will match the expansion during the 1970's in West European soybean and meal imports. Much depends upon trade relations between these countries and the United States. There is the possibility that the 15-month suspension of sales of U.S. agricultural products to the Soviets in 1980-81 had some negative impact on their plans to expand a crushing industry heavily dependent upon imported raw materials.

The harvested soybean area in the USSR has averaged 833,000 hectares during the past 10 years, with production of about 500,000 tons. Yields during this period ranged from a low of 285 kilograms per hectare in 1972 to a high of 963 kilograms in 1976, with an average of 608. To fill the growing gap between domestic soybean supplies and needs, the Soviets began importing

Exports of Soybeans and Meal, Calendar 1970, 1975, and 1980



large quantities of soybeans in 1976, with imports averaging 1.4 million tons during 1976-80. The first soybean meal imports were made in 1979, with nearly a tenfold increase in 1980.

The USSR's soybean import plans for 1980 and early 1981 were somewhat frustrated by the U.S. sales suspension although much of the slack eventually was made up by purchases from Argentina and Brazil. The lack of suitable crushing facilities for processing soybeans appears to be the major constraint to annual imports exceeding about 2 million tons—thus the need for large meal imports. In the mid-1970's, the four soybean crushing mills in the Soviet Far East were just about able to handle the record 1975 crop in that region.

In contrast, a 1977 study by the U.N. Food and Agriculture Organization

reported Soviet plans to expand crushing capacity to an annual level of 2.4 million tons by 1980. That level would easily have exceeded the ambitious production target for soybeans outside the Far East region. As it turned out, there was little increase in soybean production, and some delays may have been encountered in the construction of the new oilseed mills.

A Polish firm reportedly completed one 500-ton-a-day mill in the Soviet Union last year and is scheduled to complete three similar mills in 1981. When these new mills become fully operational, Soviet soybean import requirements are likely to increase substantially, as domestic production is unlikely to rise significantly before 1985.

China also has been a net importer of soybeans during the past 10 years, with the United States its major supplier.

China is interested in boosting soybean production, and its expanding contacts with U.S. seed companies could lead to improvement of indigenous varieties as well as greater use of U.S. seed. With these changes—and greater use of fertilizers and other inputs—China could boost soybean production substantially without increasing area, as yields currently average only slightly more than half those in the United States.

Yet, there are no clear indications that China can again become a net soybean exporter. In fact, there is a good possibility that domestic vegetable oil and soybean meal requirements will develop faster than soybean production.

China will continue important, however, as a source of soybeans for food purposes. This continues to be an important use in many Asian countries, where the soybean originated, in contrast to the product's predominant value elsewhere as a source of meal and oil. Over 50 percent of Chinese soybeans are used for food purposes, with food uses accounting for nearly 20 percent of the soybeans consumed in Japan. Japan imports between 200,000 and 250,000 tons of food-use soybeans annually from China and would probably take even more if they were readily available. However, the United States is expected to continue as the major supplier of food-use soybeans to Japan—as well as to Indonesia and South Korea—during the 1980's.

Net Exports of Soybean Oil, By Major Exporters, 1976/77-1980/81[1]

(In 1,000 metric tons)

Item	1976/77	1977/78	1978/79	1979/80	Forecast 1980/81
United States	702	933	1,059	1,220	794
Brazil	410	675	557	411	932
Argentina	57	64	52	84	92
EC	274	357	454	393	282
Spain	127	260	297	359	430
Total	1,570	2,289	2,419	2,467	2,530

[1]October/September year for net trade, but for the EC and Spain, calendar year corresponding to the second year of split year shown.

Major Importers of Soybean Oil—1970, 1975, 1980, and Forecast 1981

(In 1,000 metric tons)

Item	1970	1975	1980	Forecast 1981
India	79	4	692	500
Iran	97	190	250	270
Pakistan	118	63	250	260
USSR	0	0	50	200
Morocco	39	77	145	149
China	0	11	100	120
Colombia	1	7	70	91
Yugoslavia	18	118	90	80
Nigeria	([1])	([1])	53	75
German Democratic Republic	16	9	80	60
Bangladesh	30	23	51	55
Chile	30	93	45	50
Poland	6	7	26	50
Ecuador	10	9	35	46
Peru	21	51	36	40
Total	465	662	1,973	2,046

[1]Not available.

Soybean Meal Versus Competitive Products

By far the largest import demand for soybeans, however, is based on importing countries' protein-meal requirements for poultry and pork production. Soybean meal is suitable for cattle and sheep feeds, but typically these use cottonseed, rapeseed, and sunflowerseed meals that are less suitable in poultry and pork rations.

While soybean meal is the major protein meal used in poultry and swine feeds, several others such as fish and peanut meals also are important ingredients. World fish meal production totaled 4.7 million tons in 1980, but remains, as it did during most of the

1970's, below the 5-million-ton average of 1967-71. There has been little change in the availability of peanut meal, which averaged about 4 million tons annually during the 1970's. In other words, the increase in soybean meal availabilities during the 1970's to about 58 million tons in 1980 was a principal factor in the expansion of efficient poultry and pork production.

In the EC, soybeans and meal may be used for both protein and energy sources, partly because high EC support prices for grains have led to high feedgrain prices relative to soybean meal. The outlook for EC meal usage during the 1980's is closely tied to the availability of other imported ingredients such as the low-protein tapicca and the high-protein corn gluten meal.

In most of the rest of the world, improved poultry feeds will consist primarily of soybean meal and feedgrains (corn, barley, and sorghum).

The outlook for increased fish meal availabilities, in contrast, is not promising. Overall production is not expected to expand, reflecting conservation practices and the more stringent controls placed by some countries on the reduction of fish suitable for food uses but now processed into fish meal.

Soybean Meal Consumption in Selected Countries, 1976/77 to 1980/81

Country	1976/77	1977/78	1978/79	1979/80	1980/81	Increase 1976/77-1980/81
	million metric tons					*per cent*
United States	12.75	14.77	16.08	17.45	16.24	27
EC-9[1]	10.92	13.77	14.26	15.10	14.35	31
Japan	2.57	2.86	2.94	3.01	3.02	18
USSR	1.56	1.00	1.20	1.82	2.47	58
Spain	1.93	2.10	2.22	2.30	2.30	19
Eastern Europe	3.51	3.88	4.41	5.10	5.07	44
Brazil	1.19	1.48	1.82	2.49	2.90	144
Mexico	.81	.84	.84	1.13	1.24	53
World Total	42.28	48.68	52.58	58.06	58.19	38

[1]Includes Greece for 1980/81.

Soybean Oil Faces Severe Competition

The outlook for soybean oil use in the 1980's is dependent upon three factors:

- The availability of competitive edible vegetable oils;
- The import resources of major developing countries; and
- The demand for vegetable oils for industrial purposes, including use as fuel.

Many soybean-processing and meal-importing countries have adequate or excessive supplies of vegetable oils. Thus, most of the net import demand for vegetable oils is normally found in the developing countries. Some 15 countries account for 80 percent of world soybean oil imports.

Soybean oil is supplied to the world markets by both the major soybean-producing countries and the largest soybean-processing countries with two exceptions—China and Japan.

Probably the single most important competitive factor for soybean oil has been the increase in world palm oil production during the past 10 years—from 1.9 million tons in 1971 to 4.6 million in 1980. Concurrently, palm oil exports as a share of production have risen from 54 percent to 63 percent. The past few years also have seen substantial increases in output of rapeseed and sunflowerseed—both high-oil-content seeds compared to soybeans.

These trends can be expected to continue in the 1980's, with growth in the availability of palm oil from Malaysia; rapeseed from Europe and Brazil; and sunflowerseed from the United States, Brazil, and traditional producing countries. The 1980's also will be marked by importing nations' efforts to boost their levels of self-sufficiency in vegetable oils and by trade restraints imposed by some importers because of limited availability of foreign exchange. Still, other importers such as the USSR and Nigeria are making sufficient foreign exchange available to import whatever is necessary to compensate for domestic production shortfalls.

One of the unknown factors on the demand side during the coming years is the potential usage of vegetable oil as a fuel. Currently, very little is probably being used as a diesel fuel extender, although trials are underway in various parts of the world, including the United States, Brazil, South Africa, and the Philippines.

The most ambitious program is probably in Brazil, which has announced a goal to replace 16 percent of its diesel oil consumption with vegetable oils by 1985. To achieve this goal, more than 3 million tons of vegetable oil would be required. Brazil is expected to produce 2.5 million tons of soybean oil during the current marketing year, 40 percent of which is excess to domestic requirements and thus will probably be exported. In other words, if Brazil were meeting that goal today, it would have to import around 2 million tons of vegetable oils.

Should other countries follow Brazil's lead, the current surplus problem could be quickly reversed—even with further sharp gains in vegetable oil output. ■

EC Implements Its Largest Support Price Increase in 6 Years

By Judith A. Phillips

The European Community's Council of Agricultural Ministers reached an early decision on this year's farm price package, agreeing on April 2 to raise support prices by an average of 9.5 percent in terms of European Currency Units (ECU's).

The increase, which became effective June 1, is almost double the 4.8 percent of last year and is by far the highest since the mid-1970's. While the Ministers maintain that the 1981/82 package will not surpass EC budgetary limits, others have criticized the lack of measures to control expenditure on surplus production of several key products and predict increased financial difficulties in the future.

Not only did approval of this year's farm package come at a relatively early date, the Council price debates were smooth in comparison with those of recent years. The 9.5-percent average increase was an easy compromise between the 7.8 percent originally proposed to the Council by the EC Commission and a 12-percent rise called for by Ministers of certain EC Member States.

A recent realignment of the currencies within the European Monetary System (EMS) was in part responsible for the early Council agreement. As a result of the new exchange rates, some Member States will actually benefit from increases of 12 percent or more once the approved 9.5-percent increase is translated from ECU's into national currencies (see Table 1).

The quick settlement also was aided by only weak attempts on the part of the British and the Germans to moderate the price increases. In the past, Germany and the United Kingdom have argued against substantial price increases on the grounds that—as the largest net contributors to the EC's agricultural budget—they would bear most of the cost burden. Last year, the British withheld approval of the price package until the EC agreed to provide them with budget rebates over a 2-year period.

A further influence on the timing, as well as substance, of the spring price decisions was the then-pending French national election.

In agreeing to this year's large price boost, EC officials were strongly influenced by unusually high world prices for a number of agricultural products. This situation served to reduce the cost of EC export subsidies and thus eased the pressure on the Community's budget. Another important factor was the need to compensate farmers for a significant decline in income. The combined effects of a 12.8-percent inflation rate, a 12-percent jump in the cost of agricultural inputs, and limited farm-price increases in past years led to an 8.9-percent drop in farm income during 1980. This compares with a decline of only 1.8 percent in 1979.

The EC Commission estimates that budgetary expenditures on agriculture in 1980/81 will increase by the equivalent of $1.3 billion over last year's level of $14 billion. Many are skeptical of this estimate, which they feel makes no allowance for the fact that the higher price supports will lead to increased output, thereby further straining the budget.

In addition, critics say that too much reliance was placed on continued high world prices and consequent savings on export subsidies. If prices decline during the next 12 months, and farmers increase production as expected, budget outlays for agriculture will probably be higher. The Community thus could be pushed toward the limit of its own financial resources in 1982.

Regardless of the final level of expenditures, agriculture will claim over two-thirds of the total EC budget. And this year's decisions do little to shift funds to investment in other neglected areas, such as Community regional and social needs.

Co-responsibility Measures Postponed

When the EC Commissioners submitted proposals for a 7.8-percent price increase last February, they hoped that the additional costs could be partly covered by the extension of a concept known as producer financial co-responsibility. This principle, which is already in effect for the dairy and sugar sectors, requires producers to share in the cost of surplus disposal. Although the idea is not new, its possible wider application has recently come under close review within the Community as a means to reform the EC's costly Common Agricultural Policy (CAP).

Greater use of co-responsibility measures seemed essential in view of record production levels in 1980 for many EC agricultural products and an overall 7-percent increase in output. Community grain production in particular expanded rapidly, by almost 4 percent from the 1979 level to 118 million metric tons. Milk deliveries rose more than 2.5 percent to 105 million tons; sugar production hit 12.3 million tons; and beef and veal production reached a record 7 million tons.

On the whole, EC farm production during the last 10 years has risen at an annual average rate of 2 percent. With yearly consumption growth held to only 1 percent, self-sufficiency—and in some cases, net exporter status—has been achieved for most temperate-zone products.

To curb excess production and limit the need for disposal of surpluses, the Commission hoped to increase the level of co-responsibility in the dairy and sugar sectors, while expanding its application to the grains, beef and veal, fruit and vegetable, oilseed, and tobacco sectors. Producers would have shared the financial burden either through direct levies, reduction of the market support price, or reduction of direct production aids.

Initially, broadened co-responsibility appeared to be saleable since an average yearly increase of 13 percent in recent agricultural exports has been accom-

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Table I—Farm Price Increases and Inflation Rates for EC Member States

Member State	Average farm price increase[1]	Current inflation rate
Belgium	10.4	7.0
Denmark	12.4	10.7
West Germany	4.8	5.7
Greece	12.8	25.6
France	12.4	12.9
Ireland	13.9	18.2
Italy	16.2	21.0
Luxembourg	10.4	7.3
Netherlands	10.4	7.1
United Kingdom	9.6	13.0
Average	11.33	12.85

[1]Translated from European Currency Units (ECU's) into national currencies.

panied by a doubling of export subsidies since 1977. Last year, however, strong world prices temporarily diminished the need for costly export subsidies while shifting attention to the cost/price squeeze on EC farmers set back by high input costs.

Many observers of this year's farm-price round were strongly critical of the Council's refusal to link the price increases with any significant measures for controlling overproduction. Nevertheless, the Ministers did formally agree for the first time that agricultural expenditures must be limited in some way. While they withheld extension of co-responsibility measures, the basic concept was generally approved for wider future use.

While averaging 9.5 percent, this year's overall support price increases will actually range from a low of 3.3 percent to a high of 11 percent, according to product (see Table II).

Support prices, also known as intervention prices, are the levels at which intervention agencies must purchase all commodities offered them. The EC price package also sets new target or guide prices. These refer to the optimal price level that producers should receive under the CAP and, in effect, are minimum import prices. The gap between the internal Ec support price and the minimum import price for grains and oilseeds rose again this year and thus boosted the level of import protection.

Dairy. This year's price increases for the dairy sector were set slightly below average at 9 percent. For the milk target price, this means an increase from $12.12 to $13.21 per hundredweight; support prices for butter and skimmed milk powder were increased from $1.59 to $1.73 and from 66 to 72 cents per pound, respectively.

Throughout 1980, overall EC dairy production continued to expand at around 2 percent, with output remaining nearly 20 percent above internal demand. The costs of storing, exporting, or otherwise disposing of this surplus accounted for 43 percent of the Community budget.

To reduce dairy expenditures, the Commission proposed a two-stage increase to prevent peak summer-month milk production from receiving a full price rise. An initial 6-percent increase would have been awarded on April 1, the start of the dairy marketing year, and the balance, on September 16. The Council abandoned the idea, however, in favor of a simple one-stage increase that means a greater impact on the EC budget.

The Council did approve a 1.0 percentage point increase in the existing dairy co-responsibility levy that will now be equal to 2.5 percent of the milk target price. The tax will be paid on all 1981/82 milk deliveries to dairies, with exemptions for farmers in certain disadvantaged areas. A proposed 5-cent-per-pound "super" levy was rejected because of wide opposition throughout the Community. This decision came in spite of the fact that last year's Council agreed to the extra levy for this year if, as was the case, 1980/81 milk output were to rise by more than 1 percent. Nevertheless, the Ministers agreed once again to take appropriate cost-saving measures if the increase in milk supplies over the coming year exceeds 1 percent.

Beef and veal. Here, the Council did agree to a novel two-stage price increase intended to mitigate the impact of a total 10-percent increase on the budget and retail prices. By December, cattle support prices will increase from 80 to 88 cents per pound, while target prices will go up from 88 cents to 96 cents per pound. There was relatively little opposition to the above-average increase for livestock farmers, who have been hit particularly hard by rising costs and falling income.

As of February, EC beef intervention stocks of 300,000 tons were up 50 percent from a year ago in spite of record exports. The Commission attributed the large buildup to a poorly managed beef-intervention system that stimulated consumption of pig and poultry meat. To reduce unnecessary intervention purchases of beef, the Council approved a new and more selective system of carcass classification.

Sugar. With larger than average yields, the Community's self-sufficiency rate for sugar remained high at 128 percent. The gap between consumption and supply is further widened as a result of the EC's agreement to import 1.3 million tons from the preferential African, Caribbean, and Pacific (ACP) countries. Price increases for white and raw sugar in 1981/82 are below average at 8.5 and 7.5 percent.

EC sugar producers will continue to pay a co-responsibility levy of up to 30 percent on sugar production over a specified level known as the "B" quota. In addition, the Council approved a basic 2-percent production levy for both "A" and "B" sugar and allowed for a further 7.5-percent levy on the "B" quota if surplus disposal costs should become excessive.

Grains. With rapid production expansion, the Community became a net grain exporter for the first time last year. Budget expenditures for this sector in 1980 totaled $1.9 billion, 70 percent of which went toward export subsidy payments. In addition to reducing exports costs, EC officials would like to encourage internal consumption of Community grain, particularly for use in

animal feed, and thereby reduce growing imports of lower cost imported substitute products. Thus, while target prices for wheat, barley, and corn have increased by around 8 percent, support price increases have been held to 6 percent in order to encourage internal sales and limit purchases by intervention agencies.

Given the fairly high price level and improved cropping techniques, the increase in overall EC grain production is expected to continue. With the likely necessity of further export subsidization, the Commission proposed specific co-responsibility measures to curb costs. The proposal called for three basic quantity levels to be set for Durum wheat, soft wheat, and finally for all other grains combined. With each 1 percent increase in production over these basic levels, support prices would be decreased by 1 percent with a maximum decrease of no more than 5 percent. While rejecting the proposal, the Council did approve the principle of co-responsibility for grains and agreed to look closely at its possible application for 1982/83.

Olive oil. In spite of a Commission recommendation to limit support of olive oil, the Council approved a 9-percent price rise, thus increasing a heavy market dependence on intervention purchases. This decision could be particularly crucial for the EC budget as the Community moves toward a potential structural surplus owing to the recent accession of Greece. The Council also completely rejected the principle of co-responsibility for olive oil. The Commission had proposed an overall production limit of 700,000 tons, along with a reduction in direct production aid.

Other sectors. The Council agreed to price increases for fresh and processed fruits and vegetables ranging from 8 to 11 percent, in addition to an 11-percent increase in the marketing premiums granted to Italian citrus producers. Tobacco prices were increased by 6 percent, and prices for most table wines, by 10 percent. The limited co-responsibility measures proposed for the tobacco and fruit and vegetable sectors were not accepted. ■

Table II—EC Agricultural Prices for Selected Commodities, 1980/81 and 1981/82 Marketing Years

Product and Price category	1980/81		1981/82		Increase
	ECU[1]/MT	*US$/MT*	*ECU[1]/MT*	*US$/MT*	*Percent*
Dairy:					
Target (milk)[2]	222.60	267.12	242.6	291.12	9.0
Intervention:[3]					
Butter	2,916.00	3,499.20	3,178.40	3,814.08	9.0
Skimmed milk powder	1,215.10	1,458.12	1,324.50	1,589.40	9.0
Beef and veal:					
Guide:[4]	1,607.60	1,929.12			
Eff. Apr. 6	(5)	(5)	1,728.17	2,073.80	7.5
Eff. Dec. 7	(5)	(5)	1,768.36	2,122.03	10.0
Intervention:	1,466.80	1,760.16			
Eff. Apr. 6	(5)	(5)	1,576.81	1,892.17	7.5
Eff. Dec. 7	(5)	(5)	1,613.48	1,936.18	10.0
Sugar:					
Intervention:					
White	432.70	519.24	469.50	563.40	8.5
Raw	358.90	430.68	385.80	462.96	7.5
Grains:					
Soft wheat:					
Target	214.01	256.81	230.55	276.66	7.7
Intervention (feed)	155.88	187.06	165.23	198.28	6.0
Durum wheat (EC-9):[6]					
Target	294.71	353.65	317.49	380.99	7.7
Intervention	260.33	312.40	279.85	335.82	7.5
Barley & corn:					
Target	194.32	233.18	210.00	252.00	8.1
Intervention	155.80	186.96	165.23	198.28	6.0
Rye (EC-9):[6]					
Target	197.31	236.77	209.82	251.78	6.3
Intervention	163.82	196.58	169.29	203.03	3.3
Rice:					
Target (husked)	480.16	576.19	450.50	540.60	10.4
Intervention (paddy)	233.71	(5)	259.42	311.30	11.0
Oilseeds:					
Colza & rapeseed:					
Target	386.90	280.45	425.60	510.72	10.0
Intervention	367.70	441.24	397.12	476.54	8.0
Sunflowerseed:					
Target	426.30	511.56	477.50	573.00	12.0
Intervention	400.50	480.60	440.60	528.72	8.0
Soybeans:					
Guide	420.50	504.60	462.60	555.12	10.0
Olive oil (EC-9):[6]					
Target	2,479.70	2,975.64	2,727.70	2,827.15	10.0
Intervention	1,801.20	2,161.44	1,963.30	2,355.96	9.0

[1]European Currency Unit. On March 25, 1981, 1 ECU = $1.20.
[2]Target price is officially regarded optimum price producers should receive under the CAP.
[3]Intervention price is level at which intervention agencies must purchase commodities offered to them.
[4]Guide price acts as a target price. [5]Not applicable.
[6]Does not include Greece, which acceded to the Community on January 1, 1981.

U.S. Agricultural Exports Scaling New Heights

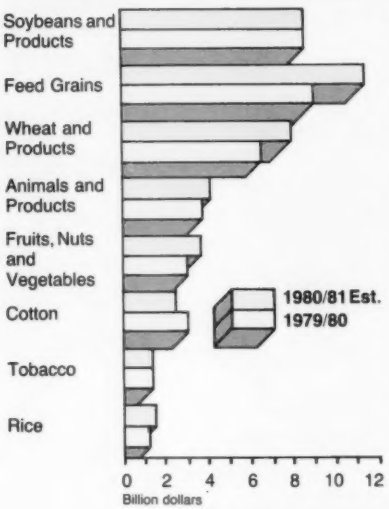
By Steven R. Milmoe

Capped by record 1-month shipments in March, U.S. agricultural exports during the first half of fiscal 1981 totaled $24.3 billion, up 14 percent from the $21.3 billion shipped during the comparable period in fiscal 1980. For October 1980-March 1981, grain shipments —running at 10 percent above the year-earlier pace—offset declines in export volume for oilseed and products. The strong export in movement in March for many critical U.S. commodities, such as soybean meal, wheat, and feedgrains, is solidifying the export forecast of $46 billion in fiscal 1981, which would be the 12th straight record year for U.S. farm sales abroad.

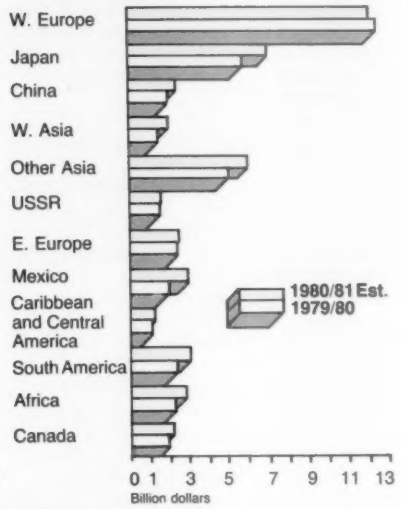
The ledger for the first half of 1980/81 shows that U.S. farm exports for the first time topped the $4-billion mark for a single month. In fact, this occurred three times, reaching $4.3 billion in December, $4.1 billion in January, and then a new high of $4.7 billion in March. The latest surge in U.S. agricultural exports highlights the spectacular growth of the past decade. The **half-year** figure of $24.3 billion in fiscal 1981 is *greater than* the **full-year** total attained just 4 years ago in fiscal 1977 ($23.97 billion). And just 4 years earlier, U.S. farm exports broke into double digits (in billion dollars) for the first time, rising from $9.4 billion in fiscal 1976 to $17.7 billion in fiscal 1977. After hitting $40.5 billion in fiscal 1980, U.S. agricultural exports should soon be approaching the $50-billion mark—a trend supported by the strong takeoff during the opening half of this fiscal year. Increased competition from other major exporters may slow this trend somewhat.

Some factors that may affect the flow of U.S. exports for the remainder of fiscal 1981 include:

Projected U.S. Agricultural Exports by Commodity in Fiscal 1981[1]



Projected U.S. Agricultural Exports by Country/Region in Fiscal 1981[1]



[1]October-September. Estimates conform with those shown in May 1981.
Source: *Outlook for U.S. Agricultural Exports.*

- Continued recession in Western Europe;
- Ending the partial U.S. suspension of grain sales to the USSR;
- New Soviet agreements with other major grain exporters;
- Increased feedgrain and oilseed supplies for export in the Southern Hemisphere;
- Favorable crop prospects in the Northern Hemisphere;
- Sensitivity in certain U.S. export markets to the exchange rate and fluctuations; and
- Constraints on foreign exchange in many less developed countries (LDC's).

Shipments of U.S. **corn** through March totaled 34.4 million tons, with over one-fifth (7 million tons) going to Japan. Other leading markets include the USSR, Mexico, Poland, Brazil, Korea, and Africa. U.S. corn exports in fiscal 1980 rose to a record 61.4 million tons.

U.S. **wheat** exports during the January-March quarter—normally the lightest of the year—averaged 3.5 million tons per month versus a monthly average of 2.4 million in fiscal 1980. Through the first half of this fiscal year, China already had taken 4.2 million tons—more than one-fifth of U.S. wheat exports of 20.3 million tons (FY 1980 total was 36.1 million tons). Next largest market during fiscal 1981's first half was the Soviet Union with takings of 2.7 million tons, while 1.7 million tons went to Japan, one of the most consistent buyers of U.S. wheat. Other significant wheat markets during March include Mexico, Peru, Iran, Brazil, Lebanon, and South Africa.

Although the March price at the Gulf for Hard Winter wheat fell $6 per ton to $175, it was still $13 per ton above year-earlier levels.

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U.S. **rice** exports were running slightly ahead of last year's pace, with those to South Korea standing at 656,000 tons—twice the year-ago level—and accounting for 40 percent of U.S. rice exports. Other major U.S. rice markets showing an increase during October-March included Saudi Arabia, Africa (except for North Africa), and South America.

U.S. exports of **oilseed and products** have been a pivotal point in U.S. agricultural trade thus far in fiscal 1981. Sluggish demand for soybeans and products, together with an excellent crop in Brazil, has had a dampening effect on prices. The Rotterdam price for #2 yellow soybeans fell from $363 per metric ton in November 1980 to $298 per ton in February 1981. Soybean meal and oil have suffered similar fates, falling $68 and $105 per ton, respectively, over the same period.

U.S. soybean exports in the year's first half totaled 12 million tons, compared with 14 million at the same point last year. Shipments to Western Europe are expected to end some 15-18 percent below fiscal 1980's level. In addition to a larger rapeseed crop in Western Europe, more attractive feed alternatives, such as soybean meal, corn, corn gluten, and citrus pulp—all available from the United States—are being more widely used. Nonetheless, soybean exports to Japan, the largest individual market, and to Mexico and Taiwan have shown some strength in the face of sluggish world demand. U.S. exports of soybean meal have apparently benefited from the reluctance of many importers and feeders to hold stocks of soybeans for crushing because of excessive oil supplies and high interest rates. The strength of demand in Western and Eastern Europe helped U.S. soybean meal exports attain a record 855,000 tons in March, bringing the 6-month total to 3.65 million tons. But this is still 9 percent below the year-earlier level. As a result of the recent surge in shipments, however, USDA's Agricultural Supply and Demand report of May 12 raised the fiscal 1980 projection for U.S. soybean meal exports some 400,000 tons to 6.5 million, compared with 7.2 million tons in fiscal 1980.

Soybean oil exports during October-March were 43 percent short of the year-earlier flow. Factors contributing to the falloff are:

- The virtual absence of shipments to Iran and India, which in recent years have been the largest markets for U.S. soybean oil;
- High global stocks on hand at the end of fiscal 1980; and
- Substitution of other vegetable oils, particularly Malaysian palm oil and Brazilian soyoil.

U.S. Cotton Export Estimates Raised

In light of the rising—yet unexpected—world demand, U.S. **cotton** export estimates have been increased to 6.0 million bales (480 lb net), or 1.3 million tons for fiscal 1981. Exports during the first 6 months totaled 755,000 tons, compared with 1.1 million tons during the comparable 1979/80 period. Helping to offset the decline in volume, export prices were nearly $400 per ton above the year-earlier level.

Looking at individual markets, Japan will remain the largest U.S. farm market in fiscal 1981. Japan bought heavily from the United States in the first half of this fiscal year, with imports of U.S. agricultural products reaching $3.8 billion. Shipments of red meats, poultry, wheat, corn, and soybeans were especially strong. The rate of U.S. exports to Japan is expected to slow somewhat in the year's second half.

U.S. farm sales to Mexico continue to soar, with shipments in the first half totaling $1.6 billion, and about $1.1 billion-$1.3 billion expected in the second half. Major U.S. commodities to Mexico—the No. 2 U.S. farm market this year—during October-March were: Corn ($388 million), sorghum ($210 million), dried beans ($205 million), soybeans ($148 million), and wheat ($134 million). Corn exports to Africa remain at a high level of 1.4 million tons versus 833,000 tons in the first half of fiscal 1980. A portion of this year's shipments went to the drought-affected areas in East Africa below the Sahel. However, scheduled reductions in P.L. 480 shipments and the inability of many of these countries to pay rising food bills with declining export revenues may slow grain imports from the United States during the rest of fiscal 1981. ■

U.S. Agricultural Exports by Country/Region, October-March, 1979/80-1980/81
(In billion dollars)

Destination	1979/80	1980/81
Western Europe	6.779	6.391
Japan	2.938	3.812
China	.884	1.414
Western Asia	.704	.878
Other Asia	2.491	2.625
USSR	1.324	1.239
Eastern Europe	1.406	1.222
Mexico	.792	1.613
Brazil	.409	.518
Other Latin America	1.261	1.757
Africa	1.065	1.264
Canada	.830	1.035

U.S. Agricultural Exports Value by Commodity, October-March, 1979/80-1980/81
(In billion dollars)

Commodity	1979/80	1980/81
Soybeans and products	4.994	4.883
Feedgrains	4.638	6.010
Wheat and products	3.267	4.029
Animals and products	2.016	2.139
Fruits, nuts, and vegetables	1.603	1.978
Cotton, including linters	1.659	1.420
Tobacco	.807	.732
Rice	.540	.768

U.S.-China Scientific and Technical Exchanges Benefit Both Nations

By Thomas F. Kelly and Victor Muniec

China's historic re-emergence from guarded isolation into the world of renewed diplomatic relations opened new opportunities for U.S. agriculture. Among the results have been the sharing of a wealth of knowledge between the two nations through scientific and technical exchanges, as well as greatly expanded trade.

The U.S.-PRC exchanges stepped up after the formal organization of a U.S.-PRC Working Group on Agriculture in January 1980. Exchanges already implemented promise numerous benefits to producers in both countries. For example:

- The exchange of germplasm encourages research that will lead to the genetic diversity needed to ensure higher yields in crop production and resistance to disease.

- A Chinese-developed vaccine for equine infectious anemia virus has created excitement among U.S. scientists long thwarted in their efforts to combat this and other slow virus infections.

- Successful reforestation in China—which has increased its forested land from 8.6 percent of total area in 1946 to 12.7 percent in 1979—is of interest to U.S. scientists hoping to step up reforestation here. Conversely, the Chinese could learn much from the United States, where the current forested area is 10 times the 0.13 hectare per capita averaged in China.

- The improved collection and dissemination of economic information in China—and increased availability of such information—could help stabilize world trade in commodities such as grain and cotton.

Mr. Kelly is Program Leader/PRC, and Mr. Muniec, Information Specialist with USDA's Office of International Cooperation and Development. Also contributing to the article were Diane Yuhasz, Stephen Boruchowitz, Richard Hughes, and Fayelle Wharton—all with OICD.

A Chinese worker places female oak silkworm moths in a basket. Eggs from these moths will be used for rearing the egg parasite Trichogramma *for biological control of the corn borer.*

Exchanges Gained Momentum in 1979

Initiatives taken in 1978 by the Committee on Scholarly Communications with the People's Republic of China, National Academy of Sciences, led to the signing of a formal agreement of Cooperation in Science and Technology between the two nations in 1979.

Leadership responsibility for an expanded agricultural and exchange program shifted to USDA's Office of International Cooperation and Development. Dr. Quentin M. West, Director of OICD, assigned major responsibilities for carrying out these exchanges to the OICD's Scientific and Technical Exchange Division (STE). The Division's responsibilities, which are worldwide, take into consideration the needs of the U.S. farm, academic, and private sectors.

Their successful implementation is a result of close interagency and university cooperation with STE. The National

Association of State Universities and Land-Grant Colleges (NASULGC) serves as contact point for involving universities. Within USDA, the administrators of five agencies have encouraged full partnership of their scientists, who have provided leadership, helped in program development, and been instrumental in establishing long-range goals.

Projects developed by STE and initiated under bilateral agreements in science and technology must meet established criteria and be mutually beneficial before funding is approved. Currently, scientific exchange and research activities in China are the most extensive among programs carried out by STE in 39 countries.

Boosting Production Is Thrust of Cooperation

Despite the vast differences in their cultures and political systems, the United States and China have a common interest in improving and expanding agricultural production. They are leading agricultural producers, as well as increasingly important factors in world farm trade. China must produce more each year to maintain consumption levels of its nearly 1 billion people, while also depending on exports of rice, food-type soybeans, livestock, and other commodities for much-needed foreign exchange. The United States also must meet the needs of an expanding population while steadily boosting agricultural exports to offset rising import costs. The U.S. farm exports hit a record $41.3 billion in calendar 1980 and included about $2 billion in sales in China—expected to be the third largest U.S. farm market in fiscal 1981.

The two nations are comparable in both size and climate. China covers 3.8 million square miles, whereas the U.S. covers 3.6 million. Because they are situated at about the same latitude, some of their agricultural conditions and problems also are parallel. For instance, much of the western portion of China is lightly inhabited and arid to semiarid in character, as in the western United States.

The two countries, however, differ in other respects. Eighty-five percent of the Chinese labor force is involved in agriculture, compared with less than 4 percent in the United States. And Chinese agriculture is concentrated on 10 percent of the land area, versus 18 percent cropland in the United States.

Much of the agricultural land in China has been farmed for more than 4,000 years; yet through intensive production practices yields that still are generally well below those of the United States are being steadily improved. In the United States, farming dates back less than 400 years. Yields have soared in line with the introduction of improved varieties, cultural practices, and technology. However, in some cases, productivity, though still high, has begun to level off or decline. U.S. and Chinese agriculture thus can benefit from the knowledge and experience each has acquired.

Present Program and Areas of Future Cooperation

For 1981, 11 U.S. teams and 13 Chinese teams are scheduled to be involved in the scientific exchange program (compared with a total of 22 teams for the two countries in 1980). In addition, 20 visiting scholars from China are expected to take part in research activities at U.S. Land Grant Universities and other colleges for periods of 3-12 months.

Potential areas of scientific and technical cooperation are numerous, but some of the more important ones now being explored by the two countries include:

Sediment research and saline and alkaline soil improvement. The United States could benefit from some of the Chinese work on sediment control, such as the effective use of low-lying areas (which tend to be marshy and saline) as sediment basins to expand cultivable land. After visiting China last fall, the U.S. Soil and Water Team also reported an interest in China's treatment of erosion areas, yields and delivery rates on sediment, the use of sprinkler irrigation under gravity pressure as an alternative to terracing, flumes, and energy-dissipating structures.

Germplasm research. Despite some reluctance on the part of the Chinese over exchanging germplasm—considered to be a national treasure—there are positive signals for a joint program to develop a germplasm bank. A specific U.S. interest is the collection of wild cultivars of soybeans to further research on soybean diseases and the development of new varieties. Germplasm resources include wild species, useful mutants, and stocks with improved combinations of genes developed as a consequence of research. This array of genetic diversity is essential to meet the constantly changing problems imposed by environmental changes, pests, agricultural technology, and other factors.

Biological control. An extensive list of biological control agents available in the United States has been presented to the Chinese, along with several book reprints and insect specimens relative to bio-control. China, in turn, has provided a similar list of biological control agents and over 60 collections of parasites and predators, insect pathogens and plant pathogen cultures, including some hypervirulent strains.

Areas of interest to U.S. scientists include the Chinese approach to control of stemborers that affect corn, sugarcane, rice, and citrus pests. U.S. scientists are planning field work sessions in China to study some of the natural enemies of destructive insects, especially the parasitic wasps. The PRC is particularly interested in methods used here to rear parasites and predators of insect pests, especially on vegetable and orchard crops.

Animal Science and Health. U.S. delegations are interested in continued research in herbal medicine, acupuncture, germplasm, and equine infectious anemia virus (EIA). For instance, Dr. David T. Shen, a microbiologist with USDA's Science and Education Administration is impressed with the Chinese effort to develop an EIA vaccine. Dr. Shen describes EIA, a slow-virus animal disease, as one of the fundamental biological phenomena remaining to be explained. Two million doses of the vaccine have been tried in various parts

U.S.-PRC Exchanges Scheduled for 1981

U.S. Visits to the PRC

Start of visits	*Team name*
March	Agricultural Data Processing and Remote Sensing
April	Integrated Pest Management: Trees
May	Economics and Statistics
May	Taxonomy of Natural Enemies
June	Soil Management and Productivity
June/July	Agricultural Economics
July	Agricultural Machinery Mgt. Utilization
July	Bio-Control of Insect Pests by Entomogenous Micro-Organisms
August	Germplasm: Medicinal Plant
August	Soybean Germplasm and Bio-Control
August	Forest Genetics and Tree Improvement
November	Water Use and Management

PRC Visits to the U.S.

May/June	Small Watershed Management
June/July	Agrohydrology
June	Soil Tillage
July	Medicinal Plants
July	Economics and Statistics
July	Tobacco Improvement
July	Processing of Forest Products
July/Aug.	Agricultural Economics
August	Bio-Control on Insect Pests by Entomogenous Micro-Organisms
October	Tree Seed Management and Testing
October	Ag. Scientific Research Mgmt.

of China, and incidences of EIA infection in Heilongjiang Province reportedly have been cut nearly in half.

Reforestation. Chinas has much to offer in this area, including the use of shelterbelts to protect agricultural fields. U.S. scientists are also interested in forest research/pest management programs that could benefit U.S. programs in tree improvement and genetics, forest products, and research.

Economics and Statistics. There is a strong interest on the part of both countries in the methods of collection analysis and handling of data, and the use of this data in economic planning forecasting, performance evaluation, and policy development. The U.S. Economics and Statistics delegations have examined planning, data collection, and analysis at the central, provincial, county, and commune levels and their relations to the national level. An initial visit by the U.S. team in 1980 was followed by a second visit this April.

Improvement of Education. Isolation and setbacks incurred during the Cultural Revolution slowed Chinese educational development for 10-15 years. U.S. team members have recommended that the PRC continue to send scholars overseas, as well as undergraduates, for education and training. U.S. Land Grant and other colleges have responded to this need by making their facilities available to many exchange teams and scholars.

Identifying Future Plans

In generating its programs in the PRC, the Scientific and Technical Exchange Division of OICD utilizes the far-reaching capability of the International Science and Education Council (ISEC), a joint venture of the USDA and National Association of State Universities and Land Grant Colleges (NASULGC), formed specifically for developing and implementing scientific and technical exchanges with other nations. Eight subject-area panels—each comprised of one USDA and NASULGC representative—solicit, review, and rank project proposals. After ISEC panel and committee review, the proposals are considered by the U.S.-PRC Working Group for funding. Through all stages of review, the ISEC mechanism allows for inclusion of the entire agriculture community—farm, academic, and private sectors—and takes into consideration varied immediate and long-term interests with respect to the agricultural priorities of both nations. ■

Madagascar's Growth Hinges on Agricultural Developments

By Margaret Missiaen

With agriculture providing 80 percent of its export earnings, the island nation of Madagascar has a big stake in successful agricultural development. So far, however, agricultural production has not expanded fast enough to generate foreign exchange needed for increasingly expensive petroleum imports. Moreover, most of the recent gains have been the result of favorable weather, rather than improved productivity.

Imports of the major cereal—rice—have grown recently despite plans to boost domestic output. And the major export crops—coffee, cloves, and vanilla—have charted an erratic course, with wide fluctuations in prices and production.

Agriculture dominates the economy of Madagascar, providing 40 percent of the gross domestic product (GDP). Yet during most of the 1970's, agriculture failed to rise in step with annual population growth of 2.5 percent. On a per capita basis, the 1980 index of agricultural production (1969-71 = 100) was 91. Between 1970 and 1978 the GDP grew less than 3 percent in real terms, while per capita income has remained low at around $275 annually.

In 1979, economic growth accelerated —as the GDP rose by more than 10-percent—owing largely to increased output of several agricultural commodities. For 1980 the growth in GDP continued but was less than 5 percent. These increases in output, however, stemmed from better weather rather than improved productivity.

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Moreover, the balance-of-payments situation deteriorated during 1979 because the value of exports increased little while the cost of petroleum and rice imports grew rapidly. The value of Madagascar's exports increased about 3.7 percent from $379 million in 1978 to $393 million in 1979. Meanwhile, imports leaped 49 percent from $433 million to $647 million.

As per capita production has declined, dependence on food imports, especially rice and vegetable oils, has grown. The foreign exchange spent to import food has limited the money available for development. The slow growth of agricultural production has reduced the foodstuffs available for processing industries and exports. Exports of meats, lima beans, and luxury long-grain rice all declined during the seventies. Only meat exports have begun to recover.

Some reasons for the slow growth of agriculture are:

- Serious problems in organizing marketing and extension services;
- Low producer prices;
- Poor transportation and communications which hinder extension services and the supply of farm inputs;
- Lack of agricultural credit.

Rice Production

Rice is the major target of attempts to increase agricultural production, but progress has been minimal. Paddy rice is grown throughout Madagascar on about half of the cultivated land and accounts for about 30 percent of agricultural output. Per capital consumption of about 180 kilograms of milled rice per year is among the world's highest. Paddy production in 1980 was 2.3 million tons from 1.2 million hectares, yielding less than 2 tons per hectare. The area in paddy has increased by more than 3 percent annually. However, yields have declined, and most paddy still is grown on family farms that produce only one crop a year.

Commercial marketings of rice have diminished from 16-17 percent of total production in the early 1970's to only 12 percent in 1979 and 1980. Imports, primarily from the People's Republic of China and Pakistan, have grown from 61,000 metric tons in 1970 to about 150,000 tons in 1980. The Government now fixes paddy and rice prices at the producer and retail levels as well as margins for marketing, processing, and wholesale transactions. But rice marketing is still far from satisfactory. About 40 percent of marketed paddy goes through unofficial channels where prices vary widely but are well above official levels. In addition, poor transportation impedes shipments from remote surplus regions to deficit areas.

Government inducements so far have not succeeded in raising paddy yields, in part because of a lack of the needed inputs, extension services, and equipment. Therefore, increasing prices could only encourage farmers to cultivate marginal land or dissuade them from switching to other crops.

Cash Crops

Coffee, cloves, and vanilla are Madagascar's main cash crops and principal agricultural exports.

While coffee accounts for less than 10 percent of all agricultural production, it provides over 40 percent of export receipts. About 350,000 coffee growers cultivate 220,000 hectares of coffee plots that average only about 0.5 hectare. Maintenance and fertilizer use are limited and coffee is most often grown with pepper, vanilla, or cocoa.

Between 1973 and 1977 yearly coffee production ranged from 44,000 to 81,000 tons, with output reduced significantly by poor weather in 1976 and 1978. The area cultivated has varied yearly, reflecting a Government program to replace old trees. This program has increased production, and improved cultivation methods are expected to increase yields. At present, yields are about 350 kilograms per hectare.

In the past, official producer prices did not make coffee as profitable as cloves or vanilla. However, the producer price for coffee was increased from 185 FMG (85 cents) per kilogram in 1979 to 215 FMG ($1.02) in 1980. Production for 1980/81 is expected to increase to 90,000 metric tons, reflecting the higher producer price and the fact that about 26,000 more hectares of coffee trees have recently come into production.

While a record quantity of 73,000 tons of coffee was exported in 1976, the record value of $181 million was reached in 1979 when high world market prices prevailed. Exports to the United States in 1979 were 16,000 tons worth $46 million, but the future is clouded, because world coffee prices have declined.

Madagascar is an important producer of cloves which have recently contributed over 10 percent of export receipts. Clove production is cyclical and varies widely. It is believed to have been about 6,000 tons in 1980. Most of Madagascar's cloves go to Indonesia where they are used in making cigarettes.

Madagascar is the world's leading producer of natural vanilla. Vanilla is usually second in value among its exports. In 1979, however, the quantity of vanilla exported fell to 437 tons from 1,459 tons in 1978, and higher prices did not make up for the sharp decline in volume. Low producer prices, unfavorable weather, and plant disease have all been factors in the drop in production. But for the 1980/81 season the Government increased the producer prices per kilogram to 600 FMG ($2.86) from 500 FMG ($2.34) in 1979/80, an increase of 22 percent. The outlook for vanilla remains clouded, however, since high prices have encouraged wide use of synthetics and substitutes.

Outlook

The long-run prospects for increasing agricultural production depend on improving productivity. New cultivation and more intensified production could increase output substantially in virtually all parts of Madagascar. In many areas, the technical base for expanding or intensifying production has been established by past research trials. For some crops, notably rice, applied research is needed on promising new varieties. The Government is giving emphasis to these technical questions in its development planning. ■

Dutch Market Offers Export Chances for U.S. Vegetables

By John J. Reddington

Although the potential for exports of U.S. vegetables to the Netherlands is currently not as promising as for fruit,[1] opportunities for the sale of fresh vegetables do exist. With proper attention to details, and given the high quality of U.S. produce, the market probably can be expanded markedly.

The Netherlands is small—about one fourth the size of Nebraska—but the Dutch market is about 10 times as large, and includes all of the Netherlands, Belgium, Luxembourg, and parts of West Germany and France. Put another way, the Dutch market is an area within a 500-kilometer radius of Rotterdam, having 200 million potential customers. The population of the Netherlands alone is just 14 million.

Rotterdam—the Netherlands largest deepwater port and the busiest port in the world—services this extensive European trade area by barge and other craft on a network of rivers and canals that, by the mid-1980's, will include the Rhine-Danube Canal. This waterway will link Austria and Eastern Europe with Rotterdam and bring the number of potential customers reachable from the port to well over 200 million.

The movement of U.S. fresh vegetables to the Netherlands is relatively limited, but this situation is gradually changing. Dutch consumers are beginning to eat more vegetables, including U.S. iceberg lettuce, green beans, sweet peppers, radishes, celery, onions, and carrots. Vegetable output in the Netherlands is growing, but the amount of land available is limited, so there is room for growth of U.S. produce exports.

The high quality of U.S. fresh vegetables is the single most important factor in selling these products on the Dutch market, but quality alone is not enough. Packaging, marketing, and selling procedures must comply with Dutch/European Community (EC) standards if U.S. exports are to grow by any sizable extent.

Vegetable exports going only to the Netherlands must comply with a national set of standards. But if being transshipped to another EC country, they must comply with another set.

The Econonic Commission for Europe (ECE), working under the United Nations, has set recommended standards for trade between one European country and another. These contain recommendations covering quality, product size, packing, and marking. The EC has adopted most of the ECE standards and has incorporated them into its own set of regulations and covering the import of fresh vegetables.

At the present time, the EC has established standards for cauliflower, spinach, garlic, asparagus, celery, tomatoes, witloa chicory, beans, and cucumbers. Also covered are carrots, shelling peas, lettuce, brussels sprouts, onions, endive, artichokes, and cabbages.

For each product mentioned, there are at least two quality classes. For others, there are three classes and, in some instances, four. In addition, to classes, most products must be sized according to diameter, length, or weight. Packaging requirements outline formulas to ensure uniformity of the packaged product and specify what is to be printed on the box.

Each package must bear on the outside the following information: Name, address, and code of the packer and/or the exporter; country of origin; production area number (if applicable); name of production region or other geographic designation; and type of contents or varietal name if closed packaging is used. Also required are the quality class and the net weight of the package. Compliance with these details is extremely important since incorrect labeling makes it necessary for the Dutch importers to relabel the packages before making onward shipment, thus driving up handling costs.

It is also necessary to provide the precise vegetable varieties ordered by the European importer, with no substitutions. For example, the sale of tomatoes directly hinges on U.S. suppliers shipping only the ordered variety. This is so important that one Dutch importer even made arrangements with a U.S. producer to have one particular kind of tomato grown especially for him. The deal fell apart, however, when the producer's broker balked at entering the export trade.

Unlike the situation with fresh fruits, all of the country's auction markets play important roles in the vegetable trade. Imported and domestically grown vegetables pass through these markets, but since the entire auction apparatus is designed for speedy handling of produce, the vegetables reach the market in good condition.

Avocados. Generally considered a vegetable rather than a fruit—most Dutch avocado imports come from South Africa, Israel, other EC countries, and the United States. The first two countries are the major suppliers, between them shipping 770 metric tons in 1979. The United States supplied 30 tons that year.

The United States ships the Lisa variety from Florida. There are usually 16-18 avocados per box, with a net weight of about 6 kilograms. Avocados from South Africa are packed in 4-kilogram boxes holding between 12 and 14 pieces. The European trade would prefer U.S. avocados to be packed in boxes with a maximum weight of 4½ kilograms.

Lettuce. Although the Netherlands has grown crops averaging nearly 124,000 tons a year between 1975 and 1979, Dutch lettuce imports also have climbed steadily. In 1975, imports totaled 821 tons, and in 1979 they stood at 2,221 tons. Dutch re-exports of lettuce are heavy in most years.

Spain, France, and Israel compete with the United States in the iceberg lettuce market. The French iceberg head is not as heavy or as crisp as the U.S. product, but the price is usually about half the U.S. price. Nevertheless, U.S. let-

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[1] *See* Tip from Dutch Fruit Importers to U.S. Suppliers: Think Big *in the May 1980 issue of* Foreign Agriculture.

tuce is preferred over the French or Spanish. High inflation rates in Israel may prevent that country from competing in the Dutch lettuce market in the future.

Spanish lettuce arrives on the market at the end of September; French lettuce is on sale in the Netherlands in November; and U.S. lettuce begins to arrive in late October, but is not heavy in the market until December.

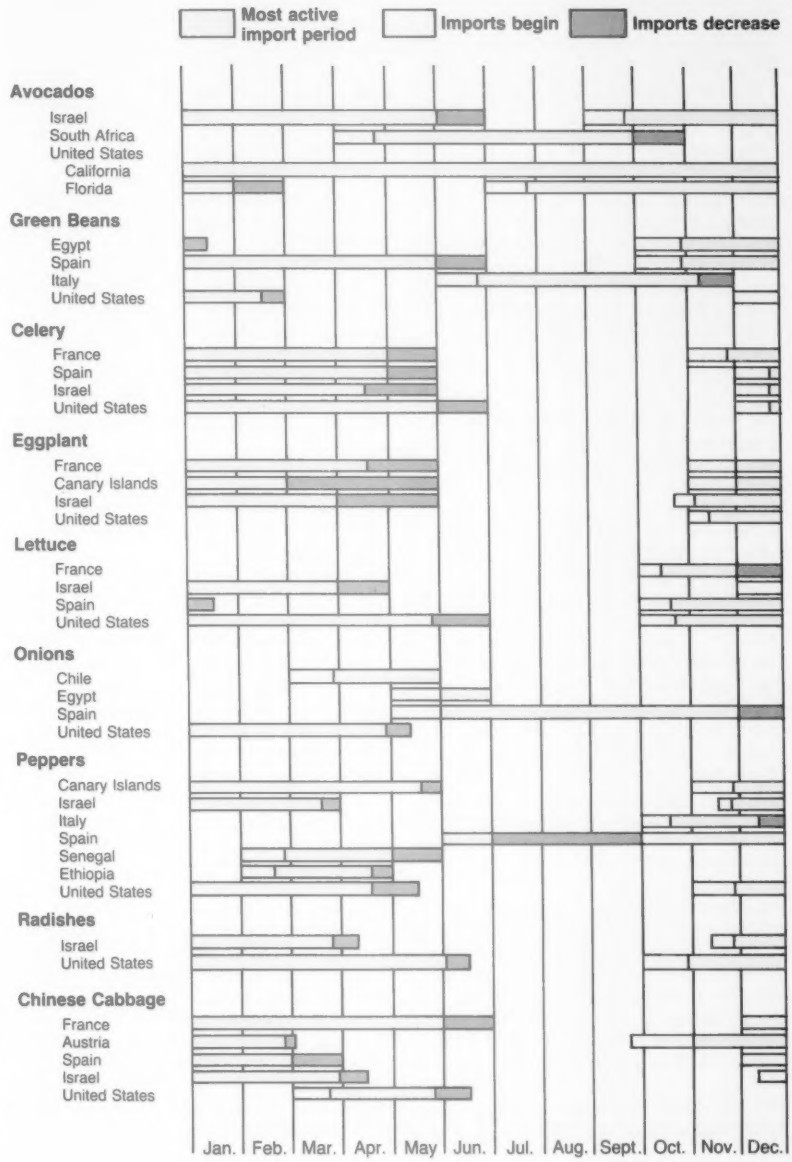
Over 95 percent of the lettuce from the United States is iceberg lettuce. About 50 percent of this is re-exported to West Germany. U.S. iceberg lettuce imported into the Netherlands is packed individually in film bags, which reduce moisture loss and limit the spread of decay. U.S. shippers pack iceberg lettuce in boxes of 24, 30, or 36 head. Although these are accepted by Dutch tradespeople, they generally prefer a smaller count box, preferably a 12 pack.

One Dutch importer, who accounts for over 50 percent of the U.S. iceberg lettuce imported into the Netherlands and West Germany, repacks lettuce into 12-head boxes. Although this adds about 10 U.S. cents per head to the price, the importer believes his success in the last few years has been a result of the smaller pack box.

Green beans. Dutch demand has increased steadily over the last 5 years. Per capita consumption has risen from 1.5 kilograms in 1975, to 1.57 kilograms in 1978 and to 1.85 kilograms in 1979. In spite of the Netherlands sizable production (12,700 tons in 1979), imports are also climbing, going from 6,817 tons in 1975 to 13,685 in 1979. The peak import season is May-June and November-January.

Egypt is the Netherlands most important green bean supplier and is in the market from October 1 to January 15 and again from April 1 to June 30. Italy is the second most important supplier to the Dutch market, and comes on the market June 1, remaining until December 1. Spanish green beans are in the market October 1 through June, with peaks in April/May and in November.

The Netherlands: Fresh Vegetable Import Season



Source: Netherlands Central Bureau of Statistics
Product Board for Fruits and Vegetables.

Green beans from the United States arrive during the December-February period. Although official Dutch statistics indicate only 135 tons of U.S. green beans were imported into the Netherlands in 1979, tradespeople report that 200 tons entered, all from Florida. Shipment was made in 20-pound wirebound boxes, although importers prefer string beans in a 5- to 6-kilogram box with a center divider.

Bell peppers. Netherlands-grown bell peppers are on the market year round, although the main season is April through October. Dutch bell-pepper production has grown by 31 percent in the 5 years between 1975 and 1979 (from 21,612 tons to 28,375 tons), while imports were up by 134 percent—from 3,593 tons to 8,408 tons.

The Canary Islands are by far the largest supplier of imported green peppers. Canary Islands green peppers are on the Dutch market from November through May, with the peak in January-March. The second largest supplier is Israel, shipping from mid-November through March, with the peak in January-February. Next comes the United States.

The United States shipped 384 tons of bell peppers in 1979, predominantly from Florida, with occasional shipments from Texas. The Dutch trade prefers that U.S. peppers be shipped in fiberboard boxes holding 6 kilograms, rather than the 11-kilogram boxes it has been receiving. The nearest box to the 6-kilogram size is the U.S. one-half bushel box.

Radishes. The United States and Israel are the principal suppliers. Partly because of increased Dutch production and local preference for milder tasting radishes than those provided by the United States, U.S. radish exports to the Netherlands have fallen from 2,022 tons in 1975 to 910 tons in 1979.

Approximately 77 percent of all imported radishes are re-exported.

Celery. Dutch imports of celery have risen dramatically from 693 tons in 1975 to 2,882 tons in 1979, although production in the same period rose by 11 percent.

U.S. celery arrives in the Netherlands starting in December and continues through June, with April and May as the busiest months. These shipments compete with celery from Spain, Israel, Italy, and France. All imported celery is re-exported. U.S. celery goes to West Germany, Britain, Switzerland, and Austria.

U.S. celery arrives in the Netherlands in short packs of 11 inches and a long pack of 15 inches, normally in packages of 24 units, with a total weight of 11.7-20 kilograms. The trade believes that this is too wide and too heavy, and would prefer a smaller package.

Onions. The Netherlands is the world's largest exporter/re-exporter of fresh onions. About 98 percent of the U.S. onions imported into the Netherlands are re-exported.

Dutch imports of onions from all sources have been falling, going from 43,379 tons in 1976 to 19,061 tons in 1979. During the first half of 1980, imports stood at 18,297 tons. Onion imports from the United States fell from 18,868 tons in 1976 to 108 tons in 1979, but recovered to over 4,200 tons in 1980. U.S. onion shipments may be markedly higher in the 1980/81 season because the Dutch crop is down 10 percent and Poland, another major exporter, has a short crop.

Egyptian onions enter the market in April and are relatively low in price, but the quality is not exceptional. The best time for U.S. shipments is in March and April. Almost all the onions imported from the United States by the Netherlands in 1980 for domestic consumption came from Oregon and were shipped out of Portland. They were of the Spanish type, Yellow Danver, class 1, in sizes 40/60, 60/80, and 75/95.

Eggplant. The production of Dutch eggplant is all under glass. The quality is high, and production has increased since 1975 from 4,556 tons to 7,131 tons in 1979. Imports rose by 74 percent to 1,683 tons during the same years; and exports are up by 85 percent. Re-exports also have shown a marked increase.

Eggplant from the Canary Islands—the top supplier—enters the Dutch market from November to May. France, in No. 2 position, is in the market in the same months, as is Israel. The United States is in the market in November and December. The domestic crop is sold March through November, with May through August as the peak months.

U.S. eggplants in the past have arrived in the Netherlands in excellent condition. They were firm with a uniform dark, rich purple coloring, and were free of scars and cuts. Florida, the only supplying State, ships eggplant in 10-kilogram or 1-bushel boxes. The Dutch prefer eggplants in 6-kilogram or half-bushel containers.

Approximately 63 percent of all U.S. eggplant shipped to the Netherlands is re-exported.

Carrots. Dutch production of carrots has been sliding between 1976/77 (when 180 metric tons were grown) and 1979/80 (with 134.3 tons). Output is seen rising in the 1980/81 season, as area is expected to be greater than last year's.

Carrot shipments from the United States to the Netherlands in 1979 amounted to 124 tons, up from 10 tons in 1978. During the spring months, U.S. carrots may sell well, especially if the Netherlands has a cold spring that affects the Dutch crop. The Dutch prefer the baby carrot pack, and the product must be brightly colored, of good quality, and have a sweet taste.

A report from the Netherlands entitled "Opportunities for Fresh Vegetables in Holland" (NT-0350, Dec. 29, 1980), gives additional information of interest to U.S. vegetable exporters. A free copy can be obtained by writing to FAS Reports Unit, Room 6066 South Building, Foreign Agricultural Service, USDA, Washington, D.C. 20250. ■

Expanded Planting In Canada Points to Possible Record Cereal Crop

Given average weather with enlarged plantings of wheat and coarse grains, Canada could harvest record cereal crops this year. If the larger output is realized, exports during the 1981/82 season should rise as the country continues to study ways to increase grain exports some 50 percent by the end of the decade.

Statistics Canada's spring survey of farmers' 1981 planting intensions showed area seeded to wheat and coarse grains increasing substantially, with land devoted to oilseeds declining considerably. Total 1981 planting intentions for major cereals and oilseeds in Canada are around 24 million hectares, up 5.3 percent from the year earlier. Of the 1.2-million-hectare increase, some 870,000 hectares came from an 8.4-percent decline in summerfallow area.

Statistics Canada's estimate of the country's 1980 wheat output is 19.1 million metric tons, 11 percent above the revised 1979 level. The production gain occurred despite severe dry conditions in many parts of the prairies during the spring and early summer. Canada's coarse grain production rose 16 percent last year to 21.6 million tons, largely because of increased barley and corn areas.

The Canadian Wheat Board (CWB) and the Government have encouraged producers to plant more cereals in anticipation of strong export demand and improved transportation and handling capacity. This year's crop of both wheat and coarse grains is expected to increase again. As of mid-June, Canada's 1981 wheat crop was estimated at 22.5 million tons, up 18 percent from the previous year.

Canadian grain exports in 1980/81 are expected to be around last season's level of 20.6 million tons. At this level, carryout stocks will be near minimal levels. Wheat and wheat flour exports in 1980/81 also are projected at around last season's performance of 15.9 million tons. The Wheat Board has virtually completed its sales program for 1980/81, with commitments to Canada's five largest markets—USSR, China, Brazil, Japan, and the United Kingdom

Canadian wheat field and elevators near White City, Saskatchewan. Based on Statistics Canada's spring survey of farmers' planting intentions, area seeded to wheat and coarse grains is up substantially this year.

—accounting for about three-fourths of all exports versus a two-thirds share in 1979/80. The Board has encountered no major obstacles in selling the lower quality wheat that dominates this season's supplies. Barley exports are forecast at 3.3 million tons, compared with 3.8 million in 1979/80. During the first 6 months of the current marketing year, barley exports were running about one-half of the year-earlier level.

Because of the low level of carryin stocks projected for 1981/82, exports

Canada's Cereals Situation, Including Rice, 1970-81[1]

Year[2]	Area harvested In 1000 ha	Production	Imports	Exports	Consumption	Ending stocks
		1,000 metric tons				
1970	13,470	28,498	315	16,122	21,844	25,439
1971	18,066	38,806	305	18,637	23,812	22,101
1972	17,802	35,430	934	19,631	23,015	15,819
1973	18,721	36,570	1,452	14,134	23,403	16,304
1974	17,866	30,731	1,118	13,903	20,583	13,667
1975	18,056	37,065	757	17,223	21,544	12,722
1976	19,619	44,712	807	17,889	22,012	18,340
1977	18,603	42,174	556	20,031	21,586	19,453
1978	18,379	41,430	795	16,974	22,659	22,045
1979	17,569	35,783	1,145	20,479	24,337	14,157
1980	19,040	40,759	1,215	20,150	23,804	12,177
1981	20,310	44,575	915	20,550	23,800	13,317

[1]Forecast.
[2]Canadian crop year (August-July).

next season will be highly dependent on the 1981 harvest. If the projected increase in grain production is realized, Canada's exports of wheat and barley will rise, resulting again in low carryout stocks. Grain movements during the remainder of this marketing year will have to approach last season's record levels if the Wheat Board is to fulfill its commitments. Because of the uneven distribution of stocks in the prairies, achieving smooth delivery rates may be a problem.

One positive factor, however, is the improved availability of hopper cars, shortages of which were the primary limiting factor on Canadian grain exports in recent years. Canada's hopper car fleet for grain use is expected to total about 15,000 by the end of the 1980/81 crop year. The increase will bring the combined hopper and boxcar fleet available for grain shipments to more than 28,000, compared with 23,000 at the end of the 1979/80 crop year.

At a symposium of farmers, scientists, and government officials—sponsored by the CWB Advisory Committee—in late 1980, the prevailing opinion was that Canada can produce enough grains and oilseeds to reach its export goal of 30 million tons by 1985 and 35 million by 1990. The needed increase in prairie output to support these goals would have to come mainly through reduced summerfallow area and increased use of fertilizer and chemicals. As well, genetic improvements in seed varieties should raise average yields for grain and oilseeds by about 1 percent per year. However, many producer and industry groups are skeptical that these targets will be achieved unless significant changes are made in Canada's marketing and transportation systems. Some believe that farmers would adopt new farming practices and technologies to meet production targets, if some market and delivery stability and guarantees were in place (e.g. market assurance plan).

Discussion centering on a market assurance plan had intensified following a meeting of the CWB Advisory Committee and the Canadian Livestock Feed Board. However, the plan has been withdrawn until more support for it develops. Under such a plan, the CWB would likely pay farmers an initial payment for their "reserve" Board grains—wheat, barley, and oats—at the end of each marketing year. The Board would control the grain when it is delivered, and the producer would be paid to store grain until it is needed by the Board. Presently, the farmer is forced to bear the expense of carrying reserve stocks, which in many years have been a large percentage of annual production. Proponents of the market assurance plan feel that it would provide a more orderly and effective use of the grain handling and transportation system, while others see this type of a program as another move toward Government control over the grain trade and producer decision-making. They feel that the objectives could be accomplished through another type of system—for example, one similar to the U.S. system—that does not give the Board or the Government so much control.—*Based on reports from the U.S. Office of Agricultural Affairs, Ottawa, and USDA's Economic Research Service.* ■

Canada, USSR Sign Grain Agreement

The Canadian Wheat Board and the Soviet Union have signed a grain agreement calling for the sale of at least 25 million metric tons of Canadian grain during the next 5 years. The agreement provides for the same of 4 million tons of Canadian wheat, barley, and oats to the USSR in the year ending July 31, 1982. Shipments will increase by half a million tons annually until they reach 6 million tons in 1985.

The agreement secures for Canada a large portion of the Soviet grain import market which has fluctuated between 15 and 35 million tons annually in recent years. This level of Canadian exports is consistent with Canadian sales to the Soviets in recent peak years and does not represent a major jump in Canada's share of the Soviet market. The agreement establishes a minimum level of shipments.

Indian Trade Restraints Cut Market for U.S. Almonds

Annual U.S. almond exports to India could fall to about half their $3.2-million average of the last 3 years as a result of new Indian licensing requirements announced for the 1981/82 fiscal year (April-March). U.S. exports of pistachios, dried fruits, and vegetable oils also could be adversely affected by the new directives announced April 3, 1981. For tree nuts and dry fruits, these changes include:

- A shift of imports during April-March 1981/82 from the "open general license" category to "licensing," and
- Restriction of these imports to 50 percent of the average annual value of the most recent 3 years, with a minimum value on each shipment of not less than 10,000 rupees ($1,250).

The move also was discriminatory against U.S. products, since a May 1 amendment will work in favor of imports from Afghanistan. The May 1

Indian Tariffs on Imported Almonds As of November 14, 1980

Item and sources of supply	Decreed import value	Effective tariff[1]
	Rupees per 100 kg	*US. dol. per lb*
Almond in Shell:		
Hard shell:		
Afghanistan	845	0.59
Iran	850	.60
Soft shell:		
Afghanistan	1,765	1.23
Iran	2,185	1.53
Almond kernels:		
Afghanistan	3,105	2.17
Other (applies to U.S.)	4,450	3.11

[1]Effective tariff based on 120 percent of decreed import value (100 percent ad valorem tariff plus 20 percent surtax).

amendment allows "border traders" between India and Pakistan to use either the 3-year average or the previous single year, 1977/78. Use of 1977/78 would favor the traders, who deal largely in Afghan dried fruits and nuts.

These changes not only adversely affect U.S. exports to India of the commodities listed, but also mark a reversal of an earlier trend toward liberalized imports. The partial liberalization began in 1977, when the Indian Government removed restrictions on imports of tree nuts and dried fruits with the objective of increasing their availability to consumers at lower prices. Initially, licenses were limited to Rs10,000 worth of the product—a level that later was raised to Rs50,000.

With continued pressures from the Office of the U.S. Agricultural Attaché to India and the California Almond Growers Exchange (CAGE), the Indian Government eliminated all restrictions on the amount of almonds that could be imported under any single transaction. It left intact, however, an extremely high tariff of 100 percent and an additional 20-percent surcharge. Moreover, these rates are not assessed equally. Rather, they are assessed against arbitrary import values that discriminate against U.S.-origin almonds.

Various representations to the Indian Ministries of Commerce and Finance requesting removal of the surcharge and equal treatment for the U.S. product have not elicited any positive response so far.

Nonetheless, U.S. almonds and pistachios have had high acceptability in India because of their excellent quality and low prices. Imports of U.S. almonds have risen from a value of only $43,000 in 1976 to $1.1 million in 1977 and an average of $3.3 million annually during the past 3 years.

The new restrictions thus theoretically would cut annual imports of U.S. almonds to $1.6 million. The local Dry Fruit Association and some independent importers claim, however, that imports of U.S. almonds could well exceed $2 million. The U.S. product is cheaper and better than others available on the market, and—since not all licenses specify the country of origin—traders are likely to purchase from the United States, when possible.

Another negative aspect of the restrictions is that all imports have been placed under license. Because many people who receive the licenses do not import but sell to importers for premiums as high as 30 percent, the cost of almonds to the consumer will certainly rise during the current fiscal year.

Meanwhile, representations will be continued against both the discriminatory tariff treatment and the new import restraints.—*W. Garth Thorburn, U.S. Agricultural Counselor, New Delhi.* ■

U.S. Hop Sales Show Sharp Gain

Exports of U.S. hops to Western Europe during the first half of fiscal 1981 were running sharply ahead of the year-earlier pace, largely because of the poor 1980 crop in West Germany, Europe's main producer/exporter. On both a volume and value basis, U.S. hop exports to Western Europe rose significantly from October 1980 through March 1981 as tonnage increased about 50 percent while value almost quadrupled from the same period in fiscal 1980.

The increase in shipments to Western Europe reflects the larger gains worldwide as total U.S. hop exports during fiscal 1981's first half rose to 7,030 tons worth $58.7 million from 4,717 tons valued at $18.5 million in the same fiscal 1980 period. From fiscal 1979 to fiscal 1980, U.S. hop exports fell 12 percent in volume to 7,041 tons, but jumped 22 percent in value to $25.8 million.

During the past October-March period, U.S. hop exports to West European markets rose to 2,076 tons from 1,356 tons during the year-earlier period; the respective value figures jumped from $6.3 million to $23.4 million. The movement was especially marked in shipments to the European Community (EC) as quantity expanded from 1,356 tons in fiscal 1980's first half to 1,985 tons in the opening 6 months of fiscal 1981, while value more than tripled from $6.3 million to $22.6 million.

When including hop extracts, the total jumps to $29.8 million. Of this, some $21.4 million worth of hops and extracts went to West Germany, compared with just $5.6 million during the year-earlier period. U.S. exports also rose sharply to Belgium (from virtually none to $5.2 million) and to the Netherlands (from $1.2 million to $2.2 million), but shipments to France plummeted. The poor 1980 harvest in West Germany cut supplies in the EC and sent hop prices spiraling. In 1979, Germany accounted for 69 percent of the 45,000 tons of hops produced in the EC, and in 1977 its share had reached 77 percent. However, 1980's production slipped nearly 14 percent as a result of exceedingly rainy weather in June and July. This year's crop is back to normal and a larger harvest is foreseen. West Germany is also a large exporter of hops. Although 80 percent of its exports go outside the EC, Germany was a net exporter to all EC countries in 1980, except for the United Kingdom.—*By Stephen Sposato, Economics and Statistics Service.* ■

ASA Marks 26 Years Of Soybean Market Development in Japan

The American Soybean Association and its Japanese industry associates are marking the 25th anniversary of their market development activities in Japan this year with the slogan, "Together: Toward the 21st Century."

In 1956, the year the ASA opened an office in Japan, U.S. exports of soybeans to that country totaled 570,000 tons, valued at $5.4 million. Since then, Japanese soybean imports have risen steadily, reaching over 4 million tons of U.S. soybeans worth more than $1.1 billion in 1980.

"Japan is the number one market for American soybeans," said L.G. Griffis, Asian director for ASA, at an anniversary reception in a Tokyo hotel attended by more than 100 leaders of Japanese soybean-related industries. "This celebration gives us the opportunity to look back on 25 years of real progress we have made in market development and look toward to continued progress in the future."

He ticked off these gains since 1956:

- Japan's production of formula feed has gone from about 1 million tons to 22.5 million tons, and the soybean meal component of the feed has more than doubled, from 5 percent to over 11 percent.
- Dairy cattle numbers have increased by four times to 2 million head.
- The swine herd has expanded from 1.1 million head to 10 million.
- There was virtually no broiler industry in 1956; today there are approximately 130 million broilers in feed on any given day.
- Soy oil, then a pariah in the consumer market, now represents 46 percent of Japanese vegetable oil production, and production of new types of soy protein foods, nonexistent in 1956, is increasing by 15 percent a year.

"These phenomenal achievements cannot all be attributed to the results of our work," Griffis said. "However, we are convinced that the growth would not have occurred at such a rapid rate without ASA initiatives."

One person has been in the forefront of these activities since the beginning. She is Yoshiko Kojima, hired as a secretary in 1956 and today is ASA's associate country director for human nutrition.

Frank Ray, of Baker, Fla., ASA president, presented Ms. Kojima with an ASA plaque at the anniversary reception, citing the friends she has made over the years among leaders in the Japanese soybean industry.

"Today," he said, "these leaders purchase for Japan more American soybeans than any other country in the world. They do so to meet the demands of the Japanese people, a demand created in no small part by Ms. Yoshiko Kojima."

ASA is one of 19 USDA market development cooperators that have offices or representatives in Japan working to expand the market for U.S. products ranging from the major bulk commodities to avocados.—*Wallace A. Lindell, Acting Editor,* Foreign Agriculture, *FAS.* ■

South Carolina State Group Wins 'E' Award

The South Carolina Department of Agriculture recently received the President's "E" Award for its contributions to the agricultural export promotion efforts of the United States.

In making the award, U.S. Secretary of Agriculture John R. Block—representing the President—recalled the background of the South Carolina organization's export promotional efforts. He noted that the State Department of Agriculture began its export activities several years ago by occasionally attending foreign trade shows to display the State's agricultural products. This soon pointed up the need for a formal organization for this purpose and the State Department of Agriculture established its International Trade Office, which began an aggressive program to promote the overseas sales of the State's farm products.

Partly as a result of Trade Office activities, South Carolina's fresh peaches started to move overseas in sizable volume, and the value of State agricultural exports began to climb, reaching $367 million in 1978/79 and possibly higher in 1979/80.

Later, Block noted, South Carolina's Department of Agriculture played a major role in the development of a livestock program to promote overseas sales of the State's cattle and pigs. This evolved into the Southeastern Livestock Export Association to push the sale of livestock from the entire southeastern region. One result of these promotional activities is that livestock is now being shipped by air directly from the region to overseas markets.

By 1979, the South Carolina Department of Agriculture had developed its membership to the point where the roster of participants in the Department's international trade program included farmers, processors, and exporters—all exhibiting their products in trade shows worldwide.

The South Carolina Department of Agriculture is a member of the Southern United States Trade Association (SUSTA), which cooperates with USDA's Foreign Agricultural Service in the development of overseas markets.

The award was made in Columbia, S.C. on May 20, 1981. G. Bryan Patrick, Jr., Commissioner of the South Carolina Department of Agriculture, received the award for the organization. ■

Fact File

Success Stories in Market Expansion

One of the primary missions of USDA's Foreign Agricultural Service (FAS) is to promote exports of U.S. agricultural commodities, and most FAS activities are directed toward this goal, either directly or indirectly. Obstacles to market expansion range from import quotas to foreign government regulations to a simple lack of information on the different uses of a U.S. product. When a market development project has removed an import barrier, U.S. agricultural exporting has become easier, and will likely expand as a result.

Cooperator Projects. The backbone of FAS export promotion efforts is the cooperator program, in which FAS works in cooperation with nonprofit agricultural trade organizations. There are now 54 cooperators, which together contribute over two-thirds of the funds for such activities as providing technical advice and assistance to potential foreign customers, national and international food exhibits overseas, product demonstrations, and advertising aimed at foreign tradespeople and consumers. Market development expenditures by the FAS/cooperator program were almost $20 million in fiscal year 1980, a tiny .05 percent of the $40 billion value of U.S. farm exports during that period. The following are examples of some recent accomplishments of this government-business cooperation.

Soybean Oil in West Germany. There were no identified soybean oil brands on the German market 5 years ago. Surveys indicated that only 32 percent of consumers had heard of soybean oil, and its share of German fats and oil consumption was only 20 percent, so no German oil processor was willing to take the lead in attempting to market an identified brand of soybean oil. Nevertheless, FAS and the American Soybean Association (ASA) thought the West German market had potential, and offered to put up a modest amount of money as an incentive to local industry. This first step led to a 3-year promotional effort by FAS, ASA, and a leading German oil firm. Now, 5 years later, soybean oil accounts for 50 percent of total fats and oils consumption in West Germany; there are at least 10 identified soy oil brands on the market; annual German consumption of soybean oil is roughly 1.2 billion pounds; and an identified soy oil margarine has been introduced on the market for the first time. West Germany imported $398.5 million worth of U.S. soybeans in 1980.

Soybean Oil to Venezuela. FAS and the American Soybean Association (ASA) have worked closely to open up market opportunities for soybean oil in Venezuela. Although Venezuela had been a fairly good market for U.S. soybeans and soybean meal, significant growth in U.S. exports of soybeans and soybean oil was hampered by Venezuelan regulations prohibiting the blending of soybean oil with other vegetable oils in cooking and salad oils.

FAS and ASA embarked on a series of activities designed to educate Venezuelan trade and government officials on the merits of soybean oil. These included hosting a visit to the United States by a key Venezuelan government official and representatives of the oilseed crushing industry to observe soy oil production, marketing, and consumer use in the United States. In addition, a U.S. technician went to Venezuela to demonstrate techniques for producing soybean oil. In 1978, the Venezuelan law was changed to allow blending of vegetable oils. As a result, soybean oil now accounts for a substantial share of the blended vegetable oil market there. U.S. exports of soybeans and soybean oil to Venezuela were valued at $30.6 million in 1980.

Wheat to China. In November of 1978, the Chinese expressed a desire to modernize consumer diets, in part by developing the use of bread as a convenience food. Bread, however, is not a traditional part of the Chinese diet, and so China did not have the baking expertise or the technical equipment and skills needed to produce large quantities of baked goods. With the assistance of FAS, U.S. Wheat Associates last year negotiated a joint undertaking with China's Ministry of Light Industry and the Beijing First Bureau of Light Industry to build a model bakery which will be used to demonstrate modern baking machinery, processing techniques, and the preparation of bakery products new to the Chinese consumer. It will also serve as a training center for Chinese bakers.

Construction of the building for the bakery is on schedule, and the bakery should be completed and in production by October 1. The baking equipment has already arrived from the United States, and the first group of Chinese bakers has started training in the United States. The successful introduction of breadstuffs in the Chinese market will have a large impact on demand for U.S. wheat. Chinese imports of wheat and wheat products from the United States totaled over $1 billion in 1980.

Hay to Japan. In 1976, the Japanese Ministry of Agriculture restricted imports of U.S. timothy from the Pacific Northwest because the hay was suspected of carrying the Hessian fly, a pest not established in Japan. The suspension of hay imports caused an estimated market loss of $5 million. Over the next 2 years, FAS, USDA's Animal and Plant Health Inspection Service (APHIS) and Science and Education Administration (SEA), and the hay industry developed a fumigation process that resulted in Japanese approval for the resumption of U.S. hay imports in August, 1979. Exports of baled hay and sun-cured alfalfa meal and cubes totaled $90 million in 1980, $60 million of that to Japan.

Soybean Meal to Europe. U.S. soybean meal—a processed product—is not covered by the U.S. Grain Standards Act and as a result, mandatory inspection and certification of soybean meal for export is not required by the Federal Grain Inspection Service. In the 1970's it became apparent to agricultural attachés in Europe that the lack of uniform quality in U.S. soybean meal was hurting exports to European countries. In order to make U.S. soybean meal more competitive, the Foreign Agricultural Service, the National Soybean Processors Association (NSPA), and the American Soybean Association worked to make standards for U.S. soybean meal exports more responsive to the needs of European trade and industry. Contacts were made with European traders, the London-based Grain and Feed Trade Association (GAFTA), the European Feed Manufacturers Association (FEFAC), and others. During 3 years of international conferences, seminars, private meetings, and communications, NSPA hammered out revised procedures for the conduct of international trade in U.S. soybean meal. These measures included establishment of two new contracts pertaining specifically to U.S. soybean meal, improved sampling and handling procedures, and amendments to the NSPA trading rules. As a result, the image of U.S. soybean meal was significantly enhanced, while the need for government regulation was avoided. The United States shipped $875 million in soybean meal to the European Community in 1980.

Removing Trade Barriers. Trade policy negotiations have also made substantial contributions to market development for U.S. agricultural commodities. By persuading importing countries to remove trade barriers in the form of import restrictions or tariffs, unreasonable safety or quality regulations, or the like, negotiators can open doors for U.S. farm products or make exporting cheaper or easier. Some recent examples:

- Tobacco to the EC —Before last year, the European Community (EC) had been insisting that U.S. tobacco exports be certified by type by the U.S. government. As a result of negotiations between the EC and U.S. representatives from FAS, however, the EC was persuaded to accept certification by the U.S. tobacco industry, which avoided costly USDA sampling and inspection operations. It is estimated that this outcome saved 3 cents a pound on the price of U.S. tobacco exported to the EC, which totaled 230 million pounds in 1980. That meant a price savings of $6.9 million, making U.S. tobacco more price competitive in the European market than it would have been otherwise. The EC imported $518.7 million worth of U.S. tobacco in 1980.

- Wine to Europe —U.S. wine exports to the EC increased tenfold from 1977 ($276,000) to 1979 ($2.7 million), and totaled $6.8 million in fiscal year 1980. That phenomenal growth is likely to continue due to the results of bilateral discussions with the EC Commission on the trade-restrictive features of EC wine labeling regulations. In August of last year, the EC modified its regulations in ways that will substantially increase access to the EC market for American wines. Among other advantages for U.S. winemakers, the new regulations accept U.S. standards for varietal content, geographic appellation content, and vintage dating, which in some cases are less stringent than EC standards; and authorize the importation of 17 types of varietal wines, previously excluded.

Soviet Union

Meat Production Continues To Lag As Imports Fill Gap

During the opening quarter of 1981, Soviet meat production continued to lag behind the comparable 1980 level. Another decline in meat output is seen for 1981, despite intense efforts to keep livestock inventories up during a period of poor feed supplies. Meanwhile, Soviet meat imports this year are expected to exceed the record-setting levels of the past 2 years.

Despite a slight increase in total livestock numbers during 1981's first quarter, lower slaughter weights and a decline in productivity will likely result in continued shortfalls in Soviet meat production. Given adequate pastures and an expanded feed base (bolstered by continued high feedgrain imports), Soviet meat output may reach 15.0 million metric tons in 1981, down slightly from last year's 15.1 million tons. During this year's opening quarter, pork production bucked the red meat trend by improving slightly, while beef output slipped 2 percent. Mutton and lamb production fell 4 percent from the year-earlier levels. Poultry meat production continued as the top performer with a gain of 8 percent.

Although the Soviets have been able to maintain livestock numbers at a somewhat higher level than expected, efforts to maintain numbers at any cost have led to a sharp falloff in productivity. As of January 1, 1981, total Soviet cattle numbers were 115.5 million head, up 400,000 from a year earlier. However, the 1980 buildup was less than half the rate of the previous year. Hog numbers were 400,000 less than the year-earlier level because of short feedgrain supplies. Sheep and goat numbers were down 2.4 million head, strongly suggesting a shortfall in sheepmeat, which accounts for about 7 percent of meat supplies in the USSR. Average slaughter weights of cattle on state and collective farms at the end of the first quarter were 2 percent under the year-earlier level. In March the average slaughter weight for cattle dropped by 8 kilograms from March 1980 to 349 kilograms, well below the recommended range of 400-450 kilograms. Hog slaughter weights were above the March 1980 figure, but below the March 1978 and 1979 levels. Average live weight at slaughter for the rest of 1981 will depend largely on the size of the Soviet grain harvest this year.

While domestic meat production has fallen over the past 2 years, Soviet meat imports have risen sharply. Soviet planners have evidently recognized that the decline in production of livestock and products will not be reversed easily. Consequently, the Soviets recently signed a new 5-year agreement to import meat (60,000-90,000 tons annually) from Argentina, and expanded trade and possible long-term contracts with other exporters are

Red Steppe (Ukrainian) bull on parade at the Permanent Agricultural Exposition in Moscow. The buildup of the Soviet cattle herd in 1980 was less than half the rate of the previous year.

likely. Meat imports of 820,000 tons in 1980 exceeded the previous highs of 611,340 in 1979 and 617,000 tons in 1977. Last year, Argentina provided about 90,000 tons and European Community (EC) about 103,000 tons.

As a result of the United States lifting the partial grain export suspension and meat export restraints, market opportunities exist for a wide range of meat and livestock products. For instance, there may be a market for U.S. beef deboned by machine. If attractively priced, it could be used in Soviet sausage production. Stiff competition can be expected in this market, however, because the Soviets seek low cost products. This practice may exclude most U.S. meats which are relatively expensive. EC countries are likely to increase meat sales to the USSR through their export subsidies and from surplus meat supplies in intervention stocks.—*Based on reports from the U.S. Office of Agricultural Affairs, Moscow.*

New Zealand

Gains in Lamb Exports Seen, But Beef and Veal Shipments May Drop

New Zealand sheep numbers, as well as lamb production and exports, could reach new highs in 1981, but a decline on the beef and veal side is expected. New Zealand is the world's leading exporter of lamb and a major exporter of beef and veal. In 1979/80, the value of the country's exports of fresh or frozen beef, veal, lamb, and mutton reached $NZ1.1 billion ($NZ1 = 95 US cents). These meat exports equaled about 22 percent of New Zealand's total export earnings. A small increase in cow and cattle numbers is seen for 1981, with the total slaughter expected to be similar to that of the previous year. New Zealand's beef and veal production is projected at 486,000 metric tons (carcass weight equivalent) in 1981, slightly less than in 1979 when finishing weights were well above normal because of the abundance of forage.

The number of cow slaughterings is expected to decline this year, leading to a small buildup in beef and cow numbers. Another decrease in calf slaughter is expected in 1981, with about 100,000 calves being retained in the herds, particularly as dairy beef. These calves could show up in 1983 as an increase in dairy cows or cattle slaughtered. Producer returns for milk and beef will determine the eventual use of many of these calves. New Zealand's sheep numbers will continue to expand this year, and could top 70 million for the first time. Production of lamb, mutton, and goat meat is estimated at 611,000 tons (c.w.e.), up from 536,722 tons in 1980. Lamb output this year is expected to reach around 420,000 tons, a gain of almost 30,000 tons from that of 1979.

Shearing sheep in New Zealand. Expansion in New Zealand's sheep numbers is expected to continue this year as the national total may exceed 70 million head for the first time in history.

New Zealand normally provides more than 20 percent of U.S. beef and veal imports, and is the second largest supplier behind Australia. Exports of beef and veal (fresh, chilled and frozen) to the United States in 1980/81 (Oct.-Sept.) are forecast at about 150,000 tons—accounting for about three-fourths of New Zealand's exports of these products. Exports to the United States in 1979/80 amounted to 164,056 tons of New Zealand's total of 225,165 tons.

New Zealand's lamb sales for 1980/81 look promising, with exports projected at 405,000 tons, up from 350,138 tons the previous season. Sales of 70,000 tons to Iran for 1980/81 have been confirmed, making this New Zealand's second most important market (next to the United Kingdom). The sales to Iran plus 30,000 tons to Iraq represent around 24 percent of New Zealand's lamb output. Thus far in 1980/81, lamb exports to the United States have been running slightly behind the usual pace of recent years. Export sales of lamb, mutton, and goat meat are projected to increase about 15 percent this year to about 520,000 tons. Earlier this year, New Zealand's meat export flow slowed temporarily in the wake of a "foot-and-mouth" scare at an isolated farm on South Island. However, the situation turned out to be similar to a 1979 case that occurred in Tasmania, off Australia's southern coast. That disease scare was labeled by Australians as the major non-event of the year because of the extensive press coverage.—*Based on reports from the Office of U.S. Agricultural Affairs, Wellington, and USDA's Economic Research Service.*

Italy

USDA Exhibit Held At Verona Farm Fair

Three USDA cooperators and 12 private exhibitors displayed agricultural products and/or services in the FAS exhibit pavilion at the 83rd Verona (Italy) International Agricultural Fair in mid-March. Participants reported on-floor sales of $143,000 and projected sales for the 12 months following the exhibit of some $9.6 million.

Most exhibitors indicated that although immediate and potential sales were satisfactory, they considered even more important the opportunities provided by the event to renew and expand contacts with past and future customers, and the exposure given to their product lines. Visitors to the fair—which attracted 2,383 exhibitors, including 369 from 26 countries other than Italy—totaled 500,000 for the 9-day event, 4,059 of which were foreign guests.

The presence in the USDA pavilion of several new U.S. participants helped to widen the range of products and services displayed during the fair, held at the Verona fairgrounds, March 7-15. Attracting particular attention were compressed hay bales and embryo transplant techniques. Also displayed were U.S. dried fruits and nuts, wines, fruit juices, and high-protein soy products.

Other participants included several commercial firms featuring breeding services, as well as a number of companies offering a wide range of agricultural services and products.

At the close of the show, first-time exhibitors, as well as veteran participants, expressed the desire to participate in the 1982 Verona Fair under the USDA umbrella. Most also indicated a desire to participate in the USDA pavilion at the Cremona Fair in September 1981.

Visitors to the USDA pavilion included Ministers (or Vice Ministers) of Agriculture from Italy, Austria, the Netherlands, Portugal, and Egypt.

United Kingdom

U.S. Wines Getting Prominent Play in London Promotions

American wines have experienced a surge in popularity in the United Kingdom. In large part, this has been due to the efforts of American exporters and the active support of the USDA Agricultural Trade Office in London.

Until a few years ago, U.S. exports of wine to the United Kingdom were very small. The United Kingdom had a long history of importing and consuming European wines (and to a lesser extent, Commonwealth wines), and trade patterns and business connections were firmly established. By contrast, U.S. wines were virtually unknown.

Recently, however, U.S. wines have caught the public interest. Sales have increased and, most encouragingly, there have been repeat orders.

Underlying the increase in sales has been the growing reputation of U.S. wines, as varietal wines from the United States hold their own and more in wine-tasting competitions. Several of the California wines available in the United Kingdom have come out on top in direct competition with prestigious French wines.

Promotional activities for U.S. wines are many and varied—ranging from tastings hosted by local British wine clubs to a visit to California by a group of U.K. wine masters. The California Wine Importers Association, in conjunction with *Hotel and Catering Magazine,* recently sponsored a "Menu-of-the-Year" competition, which drew contestants from throughout the United Kingdom. A minimum of two California wines were to be served with each entry. Also a major importer of California wines sponsored an essay contest for members of the U.K. spirits trade, and the winner—having spent 4 weeks in California touring vineyards—thus gaining firsthand knowledge of U.S. winemaking.

The Trade Office for its part also has been active in the promotion of U.S. wines in the United Kingdom. While the primary interest of the British lies in the better-known California wines, Michigan wines were displayed at a recent U.S. food display in London. The Trade Office also coordinated several tastings in conjunction with U.K. importers and U.S. suppliers. Running the gamut from a sampling only to formal sitdown meals, these tastings have done much to enhance the reputation and commercial availability of U.S. wines. Three such tastings are scheduled in the near future.

In addition, the Trade Office has arranged with the Embassy wine mess for a series of U.S. wine promotions there. Designed to let the Embassy staff acquaint itselt with a range of U.S. wines, each promotion will feature the product of one vineyard at 6 weeks intervals.—*By Theodore Horoschak U.S. Agricultural Trade Office, London.*

India

Short 1979/80 Sugar Outturn Brings Export Ban

India, normally a net exporter of sugar, has banned most sugar shipments overseas in 1981 and may have to import as much as 200,000 metric tons.

The restriction, put into effect in February 1981 because of the short 1979/80 sugarcane crop and sugar carryover to 1980/81, will probably remain in effect for the rest of the year. A similar export suspension was put into effect in April 1980 and kept in place the remainder of that year. In the past, sugar exports were one of India's most important agricultural earners of foreign exchange, but with the drop in prices and volume this is no longer true.

Exports of milled sugar during the 1979/80 (Oct.-Sept.) season were 308,900 tons, compared with 918,900 tons in 1978/79. Because of the tight supply situation and carryover stocks from the 1979/80 season, exports for 1980/81 are estimated at only 64,000 tons. Most or all of this volume was shipped in early 1981 by the State Trading Company to a London firm to repay borrowed sugar imported during 1980.

Because of the early-year cutoff, Indian sugar exports in calendar 1980 amounted only to 66,850 tons, versus 652,700 tons in calendar 1979. The export cutoff in 1981 will probably limit the calendar year's shipments to the 64,000-ton figure.

Exports of molasses during 1979/80 are estimated at 275,000 tons, compared with 190,130 tons the preceding season. Here again, strong domestic demand resulted in a cutoff in molasses exports on June 30, 1980.

Because cane farmers again expected the State procurement agency to raise prices for cane, they probably expanded sugar area in 1981. Sugarcane outturn in 1980/81 may be some 152 million tons, against the previous year's drought-stricken crop of 128 million tons.

Milled sugar production for 1980/81 is set at about 5.43 million tons, 30 percent greater than in the previous year. Initially, milled sugar output was expected to reach 5.86 million tons, but projections were scaled downward because of the sizable diversion of cane to khandsari (native-type semiwhite centrifugal sugar) and gur (farm-made unrefined brown sugar) processing units.

Khandsari production for 1980/81 is projected at 1.06 million tons, the same as in 1979/80. Gur output is estimated at 6.6 million tons in 1980/81, up from 5.9 million tons in 1979/80.

India's Sixth Five Year Plan (1980/81-1984/85) has fixed an annual sugar production target of 8.2 million tons—7.1 million tons for domestic consumption and 1.1 million tons for export—by the last year of the plan. To meet this target, the sugar industry's installed and licensed refining capacities will also be boosted—from the present level of 6.0-7.4 million tons to 8.1-9.7 million tons. The sugar cane production target has been fixed at 215 million tons.—*Based on report by W. Garth Thorburn, U.S. Agricultural Counselor, New Delhi.*

Pakistan

USDA Wheat Cooperator Signs Baking School Agreement

U.S. Wheat Associates, Inc., a USDA cooperator working with the Foreign Agricultural Service to promote exports of U.S. wheat, has signed an Agreement of Understanding in Pakistan that culminated in the opening of the Pakistan Institute of Baking at the Pakistani University of Agriculture.

Recently retired USW Vice President Alan Hunt, who signed the agreement on behalf of U.S. Wheat Associates, said the Pakistan Institute—which is to be located in Faisalabad—is the first bakers' training facility ever established in Pakistan, which has been a wheat producing region since the beginning of early Indus River agricultural civilizations.

Pakistan also is an important market for U.S. wheat. During the past 3 years, U.S. wheat exports to Pakistan averaged almost 690,000 metric tons annually.

Work on development of the school's quarters was started immediately after the Agreement was signed. Equipment, already in storage in Pakistan at the time of the signing, was installed immediately after and the first class in baking technology opened in late February.

Japan

Taking More U.S. Pork, Chicken, and Cattle Hides From U.S.

U.S. shipments of pork, cattle hides, and chickens to Japan should climb significantly during 1981, judging from Japanese first-quarter import figures. Japan is the largest U.S. customer for these items, along with beef and other products. The following figures are for imports during 1981's opening quarter: In that period, Japan imported 53,116 tons of pork—nearly quadruple the volume for the same 1980 quarter. The U.S. share of 13,538 tons grew by about 10,000 tons, but was less than that for Denmark and Canada. Japanese tanners reduced excess hide stocks, clearing the way for a 30-percent boost in cattle hide imports. The United States supplies more than 80 percent of this market. Higher domestic prices pushed Japan's chicken imports to 18,690 tons, up 63.7 percent from the 1980's first quarter. For the 1981 period, the U.S. share doubled to 10,138 tons. Japan's full-year imports may rise around 15 percent, with the United States continuing to benefit in the gain—especially in the strong demand for chicken legs.

Hong Kong

U.S. Foods Featured At Largest Restaurant Chain

Another U.S. Foods Festival was featured at Maxim's restaurants in Hong Kong. The promotion, lasting 3 weeks in May, was conducted at Maxim's European-style restaurants and featured U.S. beef, poultry, citrus, and wine plus a variety of fruits and vegetables. Maxim's is the largest restaurant chain in Hong Kong and a large user of U.S. food products. This year's promotion was held at 22 Maxim's restaurants and selected fast-food outlets, compared with only eight outlets during the first festival 4 years ago. The promotion of special American menus and dishes in all Maxim's restaurants was supplemented by a wide range of media advertising.

Mexico

Concludes New Supply Agreement With U.S.

Secretary of Agriculture John R. Block and Mexico's Commerce Minister Jorge de la Vega on June 9 signed an agreement providing that Mexico may purchase at least 4.57 million metric tons of U.S. agricultural products in calendar 1982. The agreement—which may be amended to include additional amounts once Mexico's 1981 crop prospects are better known—covers mainly corn, sorghum, wheat, and oilseeds. Sales of commodities covered by the agreement will be made through normal commercial channels at prevailing market prices.

The agreement is a continuation of commodity supply agreements with Mexico during 1980 and 1981, which covered 7.2 million and 6.15-8.18 million tons, respectively. Total agricultural exports to Mexico, however, so far have been running well above these levels—surpassing 11 million tons in calendar 1980.

Value of U.S. agricultural exports to Mexico that year reached $2.5 billion, up a dramatic $1.5 billion from the 1979 level and nearly seven times the $370 million recorded in 1976. The country thus became the third largest market for U.S. agricultural products last year, ranking behind Japan and the Netherlands.

Agriculture Secretary Block said that Mexico, with its stated goal of food self-sufficiency, would like to produce as much of the basic commodities included in this agreement as it can. Accordingly, the amounts to be shipped under the agreement may be modified in December, when a more precise calculation of Mexico's production and food needs can be made. Block said, however, that Mexico is expected to remain a major market for U.S. farm products, and this agreement is consistent with those expectations.

The agreement specifies consultations within 6 months after implementation or at the request of either party for the exchange of information on supply and needs. It also pledges the fullest mutual effort to assure delivery of the commodities, particularly cooperation between the United States and Mexico in alleviating transportation bottlenecks and expediting shipments.

Commodities and quantities covered in the new agreement are:

Product	Quantity *Metric tons*
Sorghum or corn, No. 3	2,200,000
Corn, No. 2[1]	1,500,000
Wheat	500,000
Soybeans	100,000
Cottonseed	100,000
Nonfat dry milk	75,000
Rice	50,000
Tallow	45,000
Total	4,570,000

[1]Up to 500,000 tons may be white corn.

Trade Briefs

Egypt Plans Trial To Produce More Short-Staple Cotton

Egypt plans to develop short-staple cotton production on about 2,000 acres (about 800 hectares), with the Government indicating that future opportunities to expand short-staple output depend on the results of the 1981 trial. Egypt produces virtually no short-staple cotton, relying instead on higher quality long-staple cotton for domestic use, and export. However, by producing more short-staple cotton for domestic use, more long-staple cotton can be diverted to export channels for badly needed foreign exchange.

Cocoa Group Extends Deadline for Joining

Having failed to reach the required membership quotas (80 percent for exporters and 70 percent for importers), the International Cocoa Organization has extended the May 31 deadline for countries to join the new International Cocoa Agreement (ICA) to September 30, 1981. By May 31, countries accounting for 72 percent of world exports and 45 percent of world imports had made provisional application for membership. The Ivory Coast, the world's largest producer, and the United States, the leading importer, have indicated that they will not join the ICA.

China's Grain Import Level Expected To Remain High

Despite an expected recovery in production, China's grain imports should remain high. China's 1981 target for grain production, including soybeans, is 332.5 million metric tons, a recovery to around 1979's level following a decline of 13.9 million tons in 1980. With an estimated population gain of about 23 million for 1980 and 1981, demand continues to outstrip production. Given Beijing's admitted trade deficit and policies to limit imports, China currently is not expected to boost grain imports substantially above the record high of 14.7 million tons in 1980/81 (July-June). Nonetheless, imports are expected to remain high during 1981/82 season, particularly in light of recent problems with hot, dry winds that are expected to affect wheat crops in the major wheat-producing Provinces of the north.

U.S. Share of Japan's Farm Market Remains Strong

The U.S. share of the Japanese farm market remained strong in 1980, according to statistics from the Ministry of Agriculture, Forestry, and Fisheries (MAFF) that were published in the Japanese agricultural newspaper, *Nihon Nogyo Shinbun.* On a value basis, the United States supplied more than 40 percent of Japan's agricultural, forestry, and fishery imports last year, the report said. The U.S. share of the Japanese market for key farm commodities in 1980 was: Soybeans, 92.5 percent; corn, 90.5 percent; wheat, 57 percent; sorghum, 90.7 percent; beef, 24.7 percent, and pork 28.6 percent.

U.K. Cotton Imports Falling to Low Levels

As a result of recent sharp cutbacks in the British cotton industry, raw cotton imports by the United Kingdom are expected to fall to approximately 40,000 tons in 1980/81 (August-July) versus 88,000 tons in 1979/80. At the same time, mill consumption may decline from 87,000 tons to 47,000 tons. There is no prospect for a recovery in the near future, but with raw cotton stocks falling to low levels, U.K. imports in 1981/82 should be at least near the depressed 1980/81 level. U.S. raw cotton exports to the British market in 1980/81 are estimated at 7,000 tons, compared with 16,000 tons the year earlier.

Here & There

Egypt and Argentina recently signed a trade agreement under which Argentina will supply Egypt with 32,000 metric tons of boneless beef and 3,000-4,000 tons of beef liver annually. The agreement, reportedly worth US$80 million, will run for 3 years . . . Another shipment of 1,500 tons of boneless beef from Colombia to the USSR was scheduled for June, following earlier shipments of 2,200 tons in April and 2,200 tons in October 1980 . . . Brazil's total exports in 1980 reached US$20.1 billion, up 32 percent from 1979, versus imports of $23.0 billion, up 28 percent. The slight increase in Brazil's trade deficit to $2.8 billion was largely attributed to a 51-percent jump in petroleum imports to $9.4 billion. The Minister of Agriculture was quoted recently as saying the farm sector is expected to contribute about 50 percent to Brazil's 1981 export target of $26 billion.

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